Decision

Decision of the Netherlands Authority for Consumers and Markets of 18-2-2020 with reference ACM/UIT/549052 on the amendment of the terms and conditions as referred to in Section 12b of the Dutch Gas Act regarding the interruptible-capacity discount

Our reference   : ACM/UIT/549052
Case number   : ACM/20/041780

The Netherlands Authority for Consumers and Markets,

Considering Section 12f, paragraph 1 of the Dutch Gas Act;

decides

Article I
The Tariff Code for natural gas will be amended as follows:

A
In Article 3.2.3.10., part b, '0.02%' will be replaced with '0.03%'.

Article II
This decision will come into force on the day after the publication date of the Dutch Government Gazette in which it is published.

This decision will be published in the Dutch Government Gazette with its explanatory notes.

The Hague,
Date:

The Netherlands Authority for Consumers and Markets,
On its behalf:

M.R. Leijten
Member of the Board

Authority for Consumers and Markets
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Explanatory notes

1 Summary

1. With this decision, ACM amends the level of the discount for interruptible capacity in the Tariff Code for natural gas. The amended discount percentage follows from the fact that, in its calculations thereof, ACM takes into consideration recent interruptions.

2 Background and procedure

2. Under Section 12f of the Dutch Gas Act, ACM sets rules and regulations for the energy market. Based on this power, ACM has implemented the Network Code on harmonized transmission tariff structures for natural gas (hereafter: NC-TAR). It has done so by amending, among other regulations, the Tariff Code for natural gas of 10 December 2018 (hereafter: the NC-TAR decision)[1].

3. In the NC-TAR decision, ACM has set, among other things, the level of the multipliers, the level of the seasonal factors, the level of the discount for entry points of LNG-facilities, and the level of the interruptible capacity discount. Under Article 28, paragraph 2 of NC-TAR, ACM is required to consult these indicators annually, and to take a decision supported by reasons.

4. With this decision, ACM amends the level of the discount for interruptible capacity. ACM does not amend the level of the multipliers, the level of the seasonal factors, or the level of the discount for entry points of LNG-facilities. ACM has amended, for the first time, the discount for interruptible capacity for the 2021 tariff year[2]. For the 2022 tariff year, ACM has made the same calculation as she did for the discount for the 2021 tariff year, which is described below. This results in a different outcome than in the 2021 tariff year.

5. ACM carries out its duty of consultation by undergoing the code amendment procedure, in which, pursuant to Section 12c, paragraph 2 in conjunction with Section 12e, paragraph 3 of the Dutch Gas Act, it gave interested parties and the representative organizations of network users on the gas market the opportunity to submit their opinions about the draft decision within a period of 12 weeks. In addition, ACM has sent the draft decision to its counterparts in Germany (BNetzA), the UK (OFGEM) and Belgium (CREG).

6. ACM is of the opinion that the decision does not contain any technical regulations within the meaning of the EU Notification Directive. That is why the conditions in this draft decision were not submitted for notification.

3 Decision

7. In the NC-TAR decision, ACM has, for the first time, set the multipliers, seasonal factors, the level of the discount for LNG-facilities, and the level of the discount for interruptible capacity in accordance with the rules in the NC-TAR. One of the reasons ACM has come to this decision

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[1] Decision of the Netherlands Authority for Consumers and Markets of 10 December 2018, reference ACM/UIT/503577, amending the tariff structures and conditions as referred to in Sections 12a and 12b of the Dutch Gas Act regarding the implementation of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas.
[2] See code amendment decision of February 27, 2020, with reference ACM/UIT/527373

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is by signing the agreement on NC-TAR decision (hereafter: the agreement) on 10 December 2018 with a significant number of market participants, including representative organizations[3]. One element of this agreement is that ACM will make an effort not to amend the level of the abovementioned parameters, except for the discount for interruptible capacity[4]. ACM currently does not see any reason to amend the multipliers, seasonal factors, and the level of the discount for entry points to LNG-facilities. ACM does see reason to amend the discount for interruptible capacity.

8. The interruptible-capacity discount is calculated using the formula in Article 16, paragraph 2 of NC-TAR. The discount is based on the probability of interruption (Pro) and the adjustment factor (A factor), which reflects the economic value of the interruptible product.

9. Article 16, paragraph 3 of NC-TAR contains a formula with which the probability of interruption (Pro) is calculated. This formula is:

$$PRO = \frac{N \times D_{int}}{D} \times \frac{CAP_{av,int}}{CAP}$$

Where:
N is the expectation of the number of interruptions over D;
D_{int} is the average duration of the expected interruptions expressed in hours;
D is the total duration of the respective type of standard capacity product for interruptible capacity expressed in hours;
$CAP_{av,int}$ is the expected average amount of interrupted capacity for each interruption where such amount is related to the respective type of standard capacity product for interruptible capacity; and
CAP is the total amount of interruptible capacity for the respective type of standard capacity product for interruptible capacity.

10. For the calculation of the probability of interruption, ACM looks at interruptions that occurred over the past three gas years (1 October 2017 through 30 September 2020). According to ACM, a measurement period of three years is representative and sufficiently robust. An interruption in any one year can be an exception, and that is why ACM believes that a multi-year measurement period is more appropriate[5]. ACM considers the data of the previous three years to be sufficiently recent in order to be representative. In this context, ACM uses gas years in order to be able to use the most recent data. ACM actually plans to launch the consultation every year in October, based on Article 28 of NC-TAR. A new gas year begins on 1 October. ACM is thus able to incorporate the data of the previous gas year in its consultation. ACM does not amend the adjustment factor (A), and sets this at 1.

11. When the NC TAR decision of December 10, 2018, was set, no interruptions had been known to ACM at that point. If no interruptions are known, the above-described calculation will not lead to a useful result. In that case, ACM uses an assumption in order to calculate the probability of interruption. The assumption is that one interruption takes place each year for no more than 1 hour. During the measurement period of October 1, 2017 through September 30, 2020, interruptions did take place, and, therefore, the calculation does lead to a useful result.

12. Based on the above, ACM has arrived at a discount for interruptible capacity of 0.03%.

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[3] Agreement on NC-TAR decision of 10 December 2018, see https://www.acm.nl/sites/default/files/documents/2018-12/overeenkomst-nc-tar-besluit.pdf
[4] See Article 3, paragraph 2 of the agreement.
[5] See code amendment decision of February 27, 2020, with reference ACM/UIT//527373

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4   Responses to opinions received

13. ACM has not received any opinions.

The Hague,
Date:

The Netherlands Authority for Consumers and Markets,
On its behalf:

Manon Leijten
Member of the Board