

**NTSCMF / Sub Group - Article 9 (Adjustments of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation)**

Some key terms in relation to TAR NC Article 9:

Term	Detail
<b>Storage Facilities Discount (Article 9)</b>	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.
<b>Entry points from LNG facilities and infrastructure ending isolation (Article 9)</b>	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.

### Background

Tariff Network Code (TAR NC) introduces the principle that in order to avoid double charging for transmission to and from storage facilities, a minimum discount acknowledging the general contribution to system flexibility and security of supply of such infrastructure should be set. Article 9 states that the level of discount to be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, to avoid such double charging, shall be at least 50%.

### Summary of Discussion(s)

- The only mandated discount stated in Article 9 is a 50% minimum discount to be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities.
- If any parties feel there is suitable justification for alternative discounts under Article 9 then they should be encouraged to come up with position paper now in order to feed into the initial UNC Modification.
- Any discounts that are applied after the reference prices have been generated (e.g. the storage discount) reduce the quantity of revenue that will be collected based on the expected capacity bookings which means there is an expected under-recovery of revenue. At this point an action may be taken to account for this expected shortfall, e.g. this could be via an adjustment to the revenue input to the chosen reference price model or a unit price adjustment applied either to the reference price or the reserve prices; some of these options would still be subject to the storage discount and some would apply equally to all locations.
- The modelling of storage discount will be based on locations where the type of Entry point/Offtake is designated as a 'Storage Site' in the Gas Transporter Licence (the "Licence"), Table 4B and Table 8.
- There may be some ASEPs where a storage point and a non-storage point are combined and are therefore not designated as a storage site in the Licence. In order to apply a discount appropriately at these points, they may need to be split so that the relevant parts can be designated as Storage Sites. There are a variety of options to be explored at the subgroup and NTSCMF to resolve this issue.
- There was a request to consider prospective/purchased/abandoned capacity in relation to storage and how/if this should be included in the "floating" element of capacity charges. This would also need to consider avoiding "gaming" opportunities in relation to capacity and paying the correct prices. There is more to discuss on this area and to be addressed at future Sub Groups / NTSCMFs. The concept of abandoned storage capacity is under discussion at Transmission Workgroup,

### **Conclusion (as at March 2017)**

The only discount to be applied from Article 9 will be the 50% discount to the capacity-based transmission tariffs at entry points to and exit points from Storage facilities, where the relevant location is designated as a 'Storage site' in the Licence.

### **Conclusion – additional considerations and update (updated January 2018)**

Concerns have been raised on the treatment of storage for charging purposes and what charges they would become liable for under any potential change. Two position papers have been received through the NTSCMF/UNC0621 workgroups:

- <https://www.gasgovernance.co.uk/ntscmf/060317> (for Storengy position paper)
- <https://www.gasgovernance.co.uk/ntscmf/170717> (for updated Storengy position paper and GSOG position paper).

These papers presented the concerns for consideration and discussion in March and July 2017.

UNC0621 modification was raised in June 2017 and updated in December 2017. This proposes the discount for storage to be 50% on capacity and also to retain the exemption from any commodity charges.

UNC0621A proposes an alternative discount of 86% for storage capacity.

### **Version Control**

V0.1	First draft based on sub-group on 19.12.16
V1.0	Updated following discussions at NTSCMF on 11.01.17 and the sub-group on 18.01.17.
V1.1	Updated following discussions at NTSCMF on 01.02.17 (updating name of paper to "Storage" from "Article 9" to reflect the broader scope of the discussion).
V1.2	Updated to take account of position papers raised on the subject of Storage charging and to address action 0301 on NTSCMF/UNC0621 workgroup agenda items. ( <a href="https://www.gasgovernance.co.uk/ntscmf/110118">https://www.gasgovernance.co.uk/ntscmf/110118</a> )

**Appendix**

The following NTS Entry Points and NTS Exit Points are defined as Storage Sites in the Gas Transporter Licence:

*Table 4B: Licence Baseline Entry Capacity*

<b>NTS Entry Point</b>	<b>Entry Point Type</b>	<b>Baseline Capacity</b>
Avonmouth	STORAGE SITE	179.3
Barton Stacey	STORAGE SITE	172.6
Caythorpe	STORAGE SITE	0
Dynevor Arms	STORAGE SITE	49.0
Garton	STORAGE SITE	420
Glenmavis	STORAGE SITE	99.0
Hatfield Moor (storage)	STORAGE SITE	25.0
Hole House Farm	STORAGE SITE	131.6
Hornsea	STORAGE SITE	175.0
Partington	STORAGE SITE	215.0
Cheshire	STORAGE SITE	285.9
Winkfield*	STORAGE SITE	0
Blyborough (Welton)*	STORAGE SITE	0
Tatsfield*	STORAGE SITE	0
Albury*	STORAGE SITE	0
Palmers Wood*	STORAGE SITE	0
Fleetwood	STORAGE SITE	0
Portland*	STORAGE SITE	0

\* These locations are not currently included in Entry Capacity Auctions and a price is not generated for them.

*Table 8: Licence Baseline Exit Capacity*

<b>Offtake Point</b>	<b>Type of Offtake</b>	<b>Enduring Flat Baseline (GWh/d)</b>
Avonmouth Max Refill	STORAGE SITE	2.3
Bacton (Baird)	STORAGE SITE	0
Barrow (Bains)	STORAGE SITE	0
Barrow (Gateway)	STORAGE SITE	0
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	100.94
Caythorpe	STORAGE SITE	0
Deborah Storage (Bacton)	STORAGE SITE	0
Dynevor Max Refill	STORAGE SITE	2.61
Garton Max Refill (Aldbrough)	STORAGE SITE	211.01
Glenmavis Max Refill	STORAGE SITE	1.62
Hatfield Moor Max Refill	STORAGE SITE	30.21
Hill Top Farm (Hole House Farm)	STORAGE SITE	0
Hole House Max Refill	STORAGE SITE	119.58
Holford	STORAGE SITE	0
Hornsea Max Refill	STORAGE SITE	22.43
Partington Max Refill	STORAGE SITE	2.41
Rough Max Refill	STORAGE SITE	160
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	0
Stublach (Cheshire)	STORAGE SITE	0

Draft for Comment