

**Gas System
Operator**

EU Update

Transmission Workgroup

6 December 2018

nationalgrid



Brexit Withdrawal Agreement

Current status

- EU Council agreed Withdrawal Agreement on 25th November. This will now go for vote in the UK parliament. If approved, the UK will enter a transition period to end 2020, with all rules applying as they do now, but UK excluded from EU institutions and agencies, e.g. ACER.
- If not approved (we have until the end of January) then we will be in a no-deal scenario after 29th March 2019.
- ENTSOG membership would end if there is no deal, but will continue (including seat on Board) during any transition period.

Number 10 press release on Brexit deal

- On 26th November, [Number 10 press release](#) '40 reasons to back the Brexit deal' included reasons directly relating to energy:
 - 21: Trade arrangements for gas and electricity will help to ease pressure on prices and keep supply secure.
 - 35. We will keep the Single Electricity Market between Northern Ireland and Ireland, which will help maintain a stable energy supply and keep prices down in Northern Ireland.

BEIS Technical Notice on Gas Trading

Background

- In the event of a ‘no-deal’ scenario, [BEIS issued a technical notice](#) to advise market participants on necessary preparations.
- A ‘no deal’ could happen if there is no approved Withdrawal agreement as of 29th March 2019. Likewise if there is no agreement on Future Trading Arrangements, then at the end of the transition period, a ‘no-deal’ scenario applies

Interconnection Agreements

- References to EU legislation would need to be ‘re-directed’ to UK legislation (Statutory Instruments anticipated later this year)
- Changes to domestic legislation are needed in Belgium and the Netherlands – possibly Ireland too – to allow for existing CAM rules to be applied to the UK as a third country.
- Any disputes are governed by arbitration

Industry Code Changes

CACOP Brexit Update - <http://www.gasgovernance.co.uk/cacop>

- As for Interconnectors, Code Administrators (CAs) have identified references to EU legislation that would need redirection to UK legislation in case of a no deal scenario.
- No operability issues have been identified on exit day

Next Steps

In case of a no-deal:

- BEIS is drafting Statutory Instruments, due to be published in December
- In January 2019 NG NTS would launch the code change process
 - As far as possible, Code changes will be made via the self-governance process
- For further information on Brexit and other EU policy updates, the next BEIS/Ofgem EU gas stakeholder meeting is on 3rd December at Ofgem

Daylight Saving Issue: Update

- EU propose to remove seasonal time change in 2019
- Impact of this is now being discussed within ENTSOG
- Main issue: definition of the 'gas day' which has a reference to the summer and winter time
- CAM NC, Art. 3(16): 'gas day' means the period from 5.00 to 5.00 UTC the following day for winter time and from 4.00 to 4.00 UTC the following day when daylight saving is applied
- An amendment of the definition will be needed

Note:

The draft legislative text: https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-discontinuing-seasonal-changes-time-directive-639_en.pdf

Daylight Saving Issue: Update

- Everywhere in the EU Codes where we have a reference to winter and summer time, a change will be needed
- Contracts with reference to local time (and not UTC or CET)
- Interconnection agreements
- Balancing offices/ Initial nomination times
- Auction calendar
- Connections to 3rd countries or DSOs
- IT systems

ACER Revenue Report

Report was published on 30 October 2018 along with consultant's Study

Background

- Art. 34 TAR NC: requires ACER to produce a report on 'methodologies and parameters used to determine the allowed/target revenue of TSOs' listed in Art. 30(1)(b)(iii)
- ACER hired a consultant (ECA) to produce a Study
- An event was organised on 20 Sept. to present the provisional study
- In line with announcement, study published after Madrid Forum and ACER's BoR meeting

ACER Revenue Report

Outline

- ACER ‘fully supports the findings of the Study and its Final observations’.
- ACER’s Report and ECA’s Study jointly fulfil requirements in Art. 34
- ECA study about ‘overall’ methodology and parameters, no focus on ‘values’ to avoid redundancy (Art. 30 topics are due from TSO/NRA) and to avoid comparison of gross data

ACER Revenue Report

ACER's proposed roadmap

- ACER considers ECA's Study as *'valuable'* since it assesses MS methodologies against criteria such as **economic efficiency** and **risk allocation** in an unprecedented way in the EU
- **ACER supports further work on 3 topics**
 - **Transparency:** for ACER, lack of comparability on Art. 30(1)(b)(iii) topics. Need to amend topics to improve user-friendliness. Suggestion to amend ENTSOG's Template based on the ECA glossary, and to centralise overview on ACER's and ENTSOG's websites
 - **Tariff benchmark methodology:** ACER suggests that the benchmarking of tariffs used in SK as an alternative to revenue-cap should be better understood and be part of Art. 30 publication
 - **Profit:** ACER suggests that NRAs should give details on TSO profits (gap between revenues and costs). NRAs should also clarify the causes of TSO profits in incentive-based regimes (TSO's efficiency, NRA's weak forecasts, and/or high capacity bookings in price cap regimes)

ECA Revenue Study

ECA's Final Observations

- Revenue-Cap could be recommended as it is most consistent with efficiency: commonplace in EU on OPEX, could be extended to CAPEX as well
- Costs announced by TSOs should be more challenged: ECA for 'an EU-wide procedure for collecting standardised information', 'comparative network performance'
- No real justification for asset revaluations: used by a few TSOs
- More scrutiny on CAPEX and incentives required: Totex may be too complex, CAPEX to review ex post, OPEX and CAPEX should be treated evenly
- No prescriptive rules on WACC, but an EU guidance recommended: good practices to develop among NRAs
- Further incentivise quality of service: used by few TSOs today
- Improve reporting, esp. for incentive regulation

FUNC Issue: Article 29 reserve prices, update on discussion with EFET (<http://www.gasncfunc.eu/>)

Main points of discussion:

- *EFET: although there are issues, in general there is broad compliance throughout Europe. Missing information should be addressed, but the reason issue up on Func is more about consistency in publication, user-friendliness, and publication in English.*
- *ACER: recognise that as this is the first year of publication it is natural that there will be problems. They expect better compliance with data publication next year.*
- *ACER and EFET both agree that this is a European issue, however ENTSOG believe that it is a national issue. ACER will discuss this further internally and bring it to the Func coordination meeting.*
- *EFET will provide feedback on the standardised template, ENTSOG and ACER will look at ways to improve it. TSOs and NRAs that aren't using the template will be encouraged to do so.*
- *Solutions should be ready before the publication in June 2019.*

Agency Analysis on the national tariff consultation documents

The consultation process should be finalised by 31 May 2019 as per Article 27(5).

The Netherlands (closed): [National Consultation](#) | [Template](#) | [ACER Report](#)

Sweden (closed): [National Consultation](#) | [Template](#) | [ACER Report](#)

Northern Ireland (closed): [National Consultation](#) | [Template](#) | [ACER Report](#)

Romania (closed): [National Consultation](#) | [ACER Report](#)

Denmark (closed): [National Consultation](#)

Portugal (closed): [National Consultation](#) | [Template](#)

Slovenia (closed): [National Consultation](#) | [Template](#)

Poland (closed): [National Consultation](#) | [Template](#)

Poland West Europe transit gas pipeline (closed): [National Consultation](#) | [Template](#)

IUK (closed): [Consultation](#)

Belgium (closing date 7 December 2018): [National Consultation](#) | [Template](#)

Greece (closing date 11 December 2018): [National Consultation](#) | [Template](#)

Germany (closing date 17 December 2018): [National Consultation](#)

Agency Analysis on the national tariff consultation documents – cont..

The consultation process should be finalised by 31 May 2019 as per Article 27(5).

Italy (closing date 17 December 2018): [National Consultation](#)

The Czech Republic (closing date 31 December 2018): [National Consultation](#)

Slovakia (closing date 6 January 2019): [National Consultation](#) | [Template](#)

Hungary (closing date 15 January 2019): [National Consultation](#) | [Template](#)

ACER's analysis TAR NC consultation document, Northern Ireland

Compliance

- ACER: choice to disregard distance in the RPM is not adequately motivated in the consultation document and recommends the NRA elaborates in its final decision how the principle of **cost-reflectivity** and national circumstances are taken into account.
- ACER: as long as the NRA does not offer an adequate motivation for disregarding distance, RPM not compliant with the requirement to avoid undue cross-subsidisation
- ACER: proposed flow-based charge, reduced from 25% to 5%, meets criteria set out in Article 4(3). However, lower share of commodity charges is to the detriment of DSO level network - asks for a more detailed analysis for the benefit of transparency

'Other comments'

- ACER highlights and lists three charges that have been included in the NI tariff methodology but that are outside the scope of the TAR NC.
 - Imbalance charges, Scheduling charges, Unauthorised flow charges

EU Data Exchange Issue – Re-cap

- **An issue was raised on the Functionality Platform calling for a wider scope of application of EU data exchange solutions**
- **A joint ENTSOG / ACER consultation was conducted in the summer**
- **Stakeholders supported the mandatory extension of the ‘Common Data Exchange Solutions) to ‘virtual trading points’**
- **It is therefore expected that an amendment to the EU Interoperability Code will be made to achieve this**
- **Timing is currently uncertain but will not happen quickly due to the election of a new EU Parliament in 2019**

EU Data Exchange Issue – Draft Solution

The draft solution developed by ENTSOG and ACER would:

- Clarify that harmonisation is applicable to VTPs as well as IPs from a common future date
- Clarify that parties carrying out data exchange on behalf of TSOs (such as Market Area Managers) are also bound by the INT Code
- Leave discretion to NRAs in:
 - Application beyond the scope of the INT NC (IPs + VTPs) to other points (storage points, LNG terminals) and on the implementation date (via existing Art 23)
 - Application to storage operators, LNG terminals and other operators not acting on behalf of a TSO

National Grid will further engage with the industry on the future of data exchange in the GB market in January 2019

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