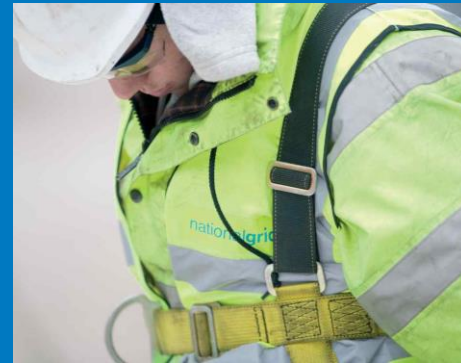


## Gas Charging Review



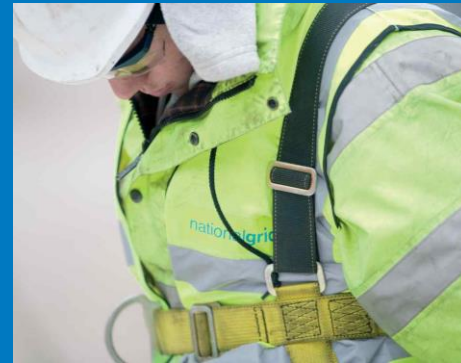
NTSCMF – 2 November 2016

*Interim slide pack – Update to be provided on 28 October 2016.*

# Agenda

Area	Detail
Output from sub-workgroup	<ul style="list-style-type: none"><li>• Summary of October Sub group and overview of documents available</li><li>• Overview of terms of reference for the sub group</li><li>• Key discussion areas, further analysis</li></ul>
Plan	<ul style="list-style-type: none"><li>• Updates to plan for discussion</li></ul>
EU Tariffs Code – Current Outlook	<ul style="list-style-type: none"><li>• Key updates relevant to Gas Charging Review</li><li>• Comitology update</li><li>• GB issues and relevant discussion items</li></ul>
Issues Log	<ul style="list-style-type: none"><li>• Review of issues</li><li>• Discussion on proposed new items</li></ul>
Next Steps	<ul style="list-style-type: none"><li>• Further development at Future NTSCMF and Sub groups</li></ul>

## Gas Charging Review



Output from sub-workgroup (October 2016)

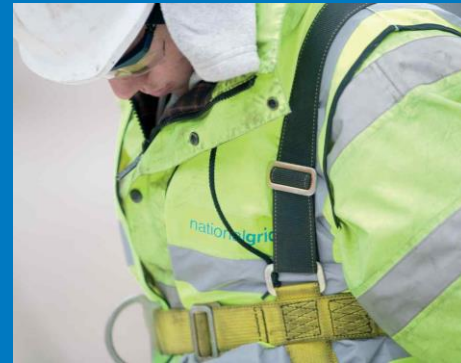
Colin Williams

## Output from sub-workgroup

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- To be populated on 28 October

## Gas Charging Review



Plan update

Colin Williams

# Gas Charging Review: Plan update

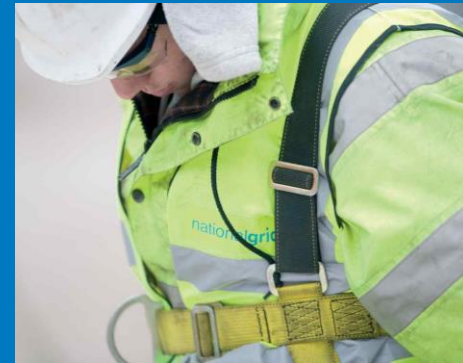
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- To be populated on 28 October 2016

# Gas Charging Review



EU Tariff Code



Colin Hamilton

## EU Tariff Code: Process Steps

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- **29-30 Sept 2016:** 2<sup>nd</sup> Formal Comitology meeting for both TAR NC and CAM NC amendment, with translated NCs, with voting (TAR NC approved)
- **Oct 2016:** Finalisation of translation
- **Nov 2016 – Jan 2017:** Council and EU parliamentary scrutiny
- **March 2016:** Formal adoption of TAR NC
- **Mar-Apr 2017:** Publication of TAR NC & entry into force



## 2<sup>nd</sup> Comitology Meeting: Changes impacting GB

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- “duly justified cases” for daily and within-day multipliers include multipliers: (i) higher than 3; or (ii) less than 1 but higher than 0
- More flexibility for periodic consultation
- ACER’s involvement in NRA decision-making minimised
- NRA decision making aligned to Art. 41(6)(a) of Gas Directive
- Border date for protection of existing contracts changed to entry into force (estimated to be 1 April 2017)

## GB Issues: Payable Price

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- Art 25(1): Where and to the extent that the transmission system operator functions under a non-price cap regime, the conditions for offering payable price approaches shall be as follows:
  - for cases where only existing capacity is offered:
    - i. the floating payable price approach shall be offered;
    - ii. the fixed payable price approach shall not be allowed.

**This rule only applies to IPs.**

## GB Issues: Payable Price

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- **'fixed payable price'** means a price calculated in accordance with Article 24(b) where the reserve price is not subject to any adjustments;
- **'floating payable price'** means a price calculated in accordance with Article 24(a) where the reserve price is subject to adjustments such as revenue reconciliation, adjustment of the allowed revenue or adjustment of the forecasted contracted capacity.

## GB Issues: Payable Price

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- (a) where the floating payable price approach is applied:

$$P_{\text{flo}} = P_{\text{R,flo}} + AP$$

Where:

$P_{\text{flo}}$  is the floating payable price;

$P_{\text{R,flo}}$  is the reserve price for a standard capacity product applicable at the time when this product may be used;

AP is the auction premium, if any.

“Floating” within the context of the TAR NC only refers to payable price reflecting the prevailing reserve price at the time of use.

## GB Issues: Payable Price

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- Although the “floating price” rule applies only to IPs it is important to note that Art 6 requires that the same reference price methodology applies to **all** entry and exit points. Also.....
  - Transmission services revenue shall be recovered by capacity-based tariffs (Art 4)
  - Tariffs must be set to minimise under- or over-recovery and recovered in “timely” manner (Art 17)

## GB Issues: Payable Price

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- This means:
  - the selected Reference Price Methodology must set reference prices for all entry and exit points such that **revenue from allocated capacity** is matched as closely as possible to the target revenue
  - Even if current LRMC methodology is adopted as enduring approach it shall have to be modified to meet these new requirements.

## GB Issues: Article 9

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- *Adjustments of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation*
  1. 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.
  2. 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.

## GB Issues: Article 9

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- ***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.~~***
- 2<sup>nd</sup> part not relevant to GB (i.e. no GB storage connected to more than one TSO or DN)
- If not a default of 50%, then what principles should be used to derive a discount of at least 50%?
  - Recital (4) states purpose of minimum discount to avoid double charging and acknowledging contribution to system flexibility and security of supply



## GB Issues: Article 9

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- **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.**
- Only LNG facilities relevant for consideration in GB.
- As requirement is that discount “may be applied” – is this a topic for consideration in this workgroup?

# Gas Charging Review



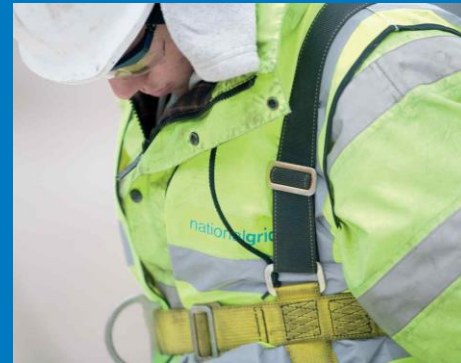
Issues Log

# Gas Charging Review: Issues log

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- To be populated on 28 October

## Gas Charging Review



Next Steps

# Gas Charging Review: Next steps

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- To be populated on 28 October

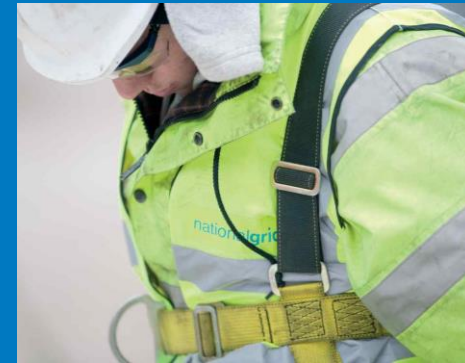
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