

EU Tariffs Code Update

Timeline of TAR NC Development

- 4th Dec. 2014: ENTSOG Board approval of Final Draft TAR NC
- 9th Dec. 2014: ENTSOG Tariff WG – discussion of EC Impact Assessment for TAR NC
- 17th Dec. 2014: ENTSOG General Assembly approval
- End March 2015: ACER Reasoned Opinion
 - Article 6(7) of EC 715/2009 allows for ACER to hold stakeholder consultation during this process (this has not occurred with previous codes)
 - ACER may request ENTSOG to amend TAR NC in light of reasoned opinion and re-submit

Timeline of TAR NC Development

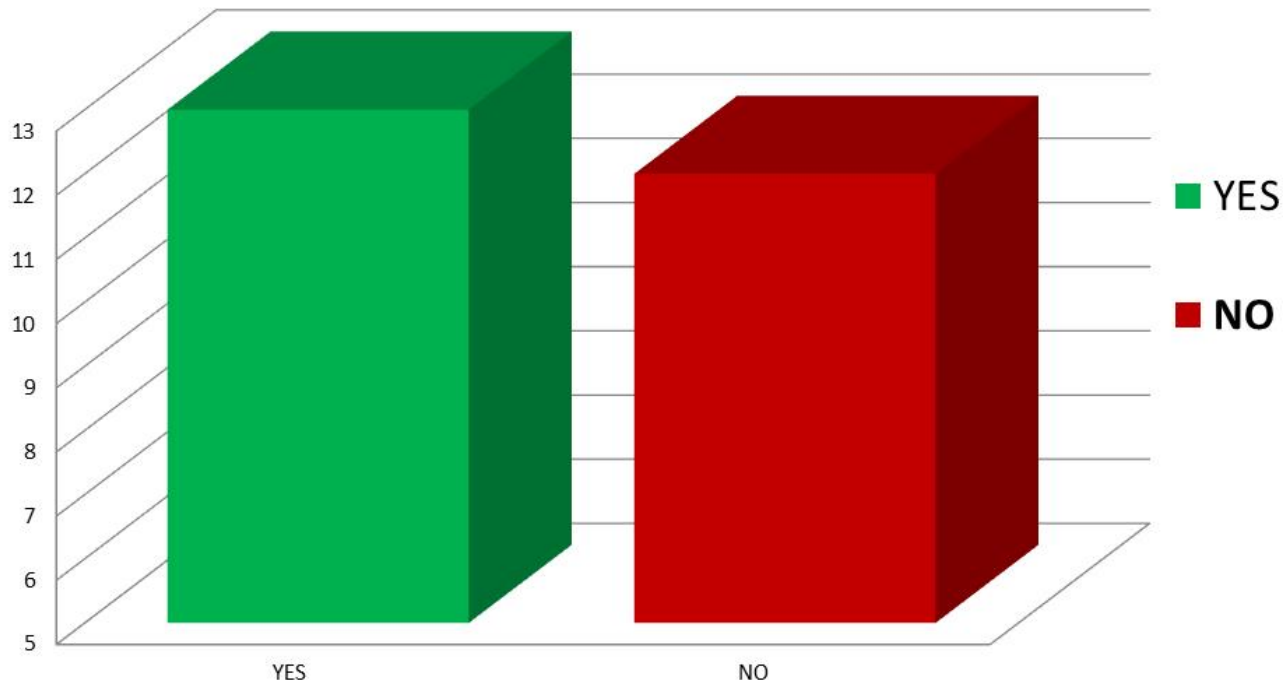
- April – June 2015? : ENTSOG, if requested, may amend and resubmit TAR NC
- ENTSOG may consult with stakeholders
- ENTSOG likely to hold Prime Movers meeting in June 2015 to discuss amended TAR NC

Stakeholder Support Process

- ENTSOG launched SSP on 7th November with publication of refined draft text
- Stakeholders asked whether they could support the refined draft text and the process used to develop it
- 28 responses received (10 came from national & EU trade associations)
- Process viewed as open & responsive but with reservations

Stakeholder Support Process

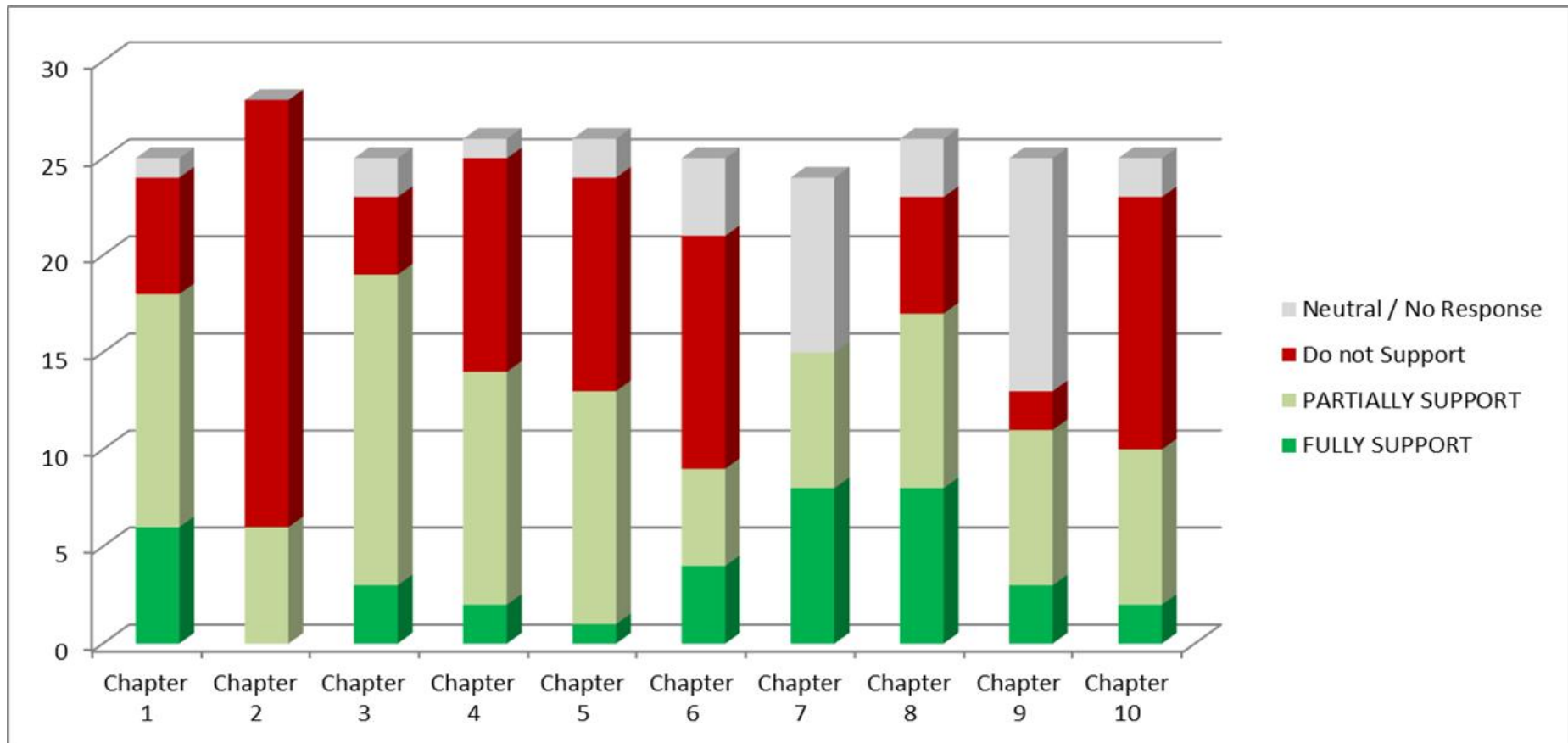
Do you consider that the TAR NC development process carried out by ENTSOG was appropriate, given the regulatory framework provided?
In particular, was the level of stakeholder engagement appropriate?



Reasons for “No”: inadequate engagement with regard to the issues raised by stakeholders and that many improvements suggested by stakeholders had not been adequately addressed

Stakeholder Support Process

- Draft text not well supported by the market
- All responses published in ENTSOG website



Chapter 1: General Provisions (Articles 1 – 3)

- 72% of respondents either fully or partially supported this chapter whilst 24% did not
- Improvements could be seen regarding scope and definitions, but.....
- Little attempt at harmonisation.
- The term ‘dedicated services’ was not clearly defined and the chapter lacks clarity.
- Another suggestion was that of implementing a ‘descoped network code’.
 - Focused on transparency & consultation

Chapter 2: Cost Allocation Methodologies (Articles 4 –20)

- 79% of respondents did not support it with the other 21% having partial support
- Many aspects of the chapter caused concern,
 - the absence of harmonisation,
 - secondary adjustments,
 - the transparency regarding dedicated services charges,
 - double charging for storage issue not acknowledged
 - and the CRRC charge.
 - too many options for cost allocation methodologies

Chapter 3: Consultation Requirements (Articles 21 –23)

- 76% of respondents either fully or partially supported this chapter whilst 16% disagreed
- support for the use of the Postage Stamp methodology as the default counterfactual
- It was recognised that improvements were made in relation to consultation requirements
- the chosen cost allocation methodology should not only be reviewed every four years but also consulted upon. .

Chapter 4: Publication Requirements (Articles 24 –27)

- 54% of respondents either fully or partially supported chapter 4, whilst 42% did not
- publication of a tariff model welcomed but should provide full tariff model as is used by TSOs or NRAs as relevant – not a “simplified” version.
- The obligation to publish binding multipliers and seasonal factors prior to the commencement of auctions was welcomed, but strong opinion that binding reference prices not just indicative ones.
- Sensitivity analysis was not seen as a suitable substitute to the provision of a full tariff model

Chapter 5: Reserve Prices (Articles 28 –34)

- 50% of respondents either fully or partially supported this chapter, with 42% disagreeing
- agreed with the delinkage of congestion and the level of multipliers
- disagreed with an ex-post discount approach to interruptible capacity.
- Some respondents also disagreed with the proposed higher cap of 5 for multipliers and also with the proposed treatment of pricing of non-physical backhaul.

Chapter 6: Revenue Reconciliation nationalgrid

(Articles 35 –38)

- 36% of respondents either fully or partially supported chapter 6, whilst 48% did not
- A larger number believed that there should be an obligation on TSOs to use sub-accounts, not only for tracking but also in order to outline, amongst other items, how any over- or under-recovery for dedicated services is handled.
- The revenue reconciliation provisions should also apply to dedicated services in addition to transmission services.

Chapter 7: Pricing of Bundled Capacity and Capacity at Virtual

Interconnection Points (Articles 39 –40)

- 62% of respondents either fully or partially supported chapter 4, with no respondent to this question disagreeing
- The main issue causing concern is the treatment of a VIP where a fixed price approach was used on one side of a VIP with a floating price approach being used on the other.
- The view was also expressed that the proposal for setting a VIP tariff to replace existing different tariffs with a single ‘average’ tariff works contrary to the economic and efficient use of the system

Chapter 8: Clearing Price and Payable Price (Articles 41 –42)

- 66% of respondents either fully or partially supported chapter 8, whilst 23% did not
- An overwhelming majority of respondents supported in introduction of a fixed price approach to pricing,
- There was also a strong view that there should be an obligation of TSOs to provide a fixed price approach and not just an option.

Chapter 9: Incremental Capacity (Articles 43 –47)

- 42% of the respondents to this chapter on Incremental Capacity supported the proposed text with 8% showing a lack of support
- This chapter is further analysed in the SSP consultation on the Incremental Proposal.

Chapter 10: Final and Transitional Provisions (Articles 48 –50)

- 52% of respondents did not support the text of this final chapter whilst 40% either fully or partially supported it
- Of those who did not support it, practically all expressed disappointment with the fact that their request for a one-off capacity reset has not been met
- Others also expressed concern regarding the protection of legacy fixed price contracts. They feel this leads to an unequal treatment of capacity contracts and that the TAR NC should apply to all contracts in the same manner.

EU Incremental Amendment Update

EU Incremental Amendment Update

- Timeline for Incremental Proposal follows that for the TAR NC
- Refined proposal in line with the consultation feedback and further considerations within ENTSOG and in bilateral discussions with ACER and the EC.
- Further refinements made following SSP
 - 11 stakeholder responses received (including 6 EU trade associations)

Stakeholder Support Process

- Main issues raised in SSP:
 - Stakeholders request economic test parameters in consultation
 - Stakeholders object to auctions as default, even in OSP
 - Recommendation to consider this to ACER
 - Stakeholders request fixed tariffs as default instead of option

Stakeholder Support Process

- Main SSP-induced changes:
 - Text changes to embed “fixed price” option
 - Increased publication requirements on ENTSOG Transparency Platform
 - Non-binding demand indications
 - All offer levels for incremental capacity
 - Where OSP selected, the NRAs shall align the length of the additional period for which binding commitments can be obtained with exemption of any relevant impacted infrastructure