

EU Tariffs Code - Update



NTS CMF
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EU Tariffs Code

- Code now in comitology process
- Member States will next meet in April
 - Inter-services consultation not due to start until late April
 - April now a pre-comitology meeting
 - Impact assessment still not approved
- Formal comitology meeting in June
 - Member States could vote on Code or could vote to have additional meeting

EU Tariffs Code

- Additional meeting (if required) likely to be in September/October
- Once text passed by Member States then governance process between EU Council, EU Parliament and EC (this takes several months)
- Possible “entry into force” in January 2017 (if code approved by MS in June)
 - Could be delayed until April 2017 if 2nd comitology meeting required

Feedback at Informal MS meeting held 10 March

- MSs went Article by Article through the TAR NC
- Text difficult to read
- Not clear what problem is being solved and would welcome the respective explanation in the Impact Assessment
- Five main issues for April meeting:
 1. Asset cost split
 2. Storage
 3. Interruptible pricing
 4. ACER opinion (main point of contention)
 5. Implementation period

EU Tariffs Code - implementation

- At March Informal MS meeting
 - Different application dates dependent of type of obligation
 - Default applicable date is **1 January 2018**
 - Publication requirements as of entry into force
 - Change to reference price methodology linked to regulatory period
 - Likely GB deadline is between **June - October 2019** to **start** process
- Text considered to be too complicated
 - Different application dates for different Member States
 - Linkage between RPM and other parameters (e.g. multipliers)..

EU Tariffs Code - implementation

- EC has subsequently proposed change for applicable date for **all of obligations in code** to be **17 months** after entry into force
- Transitional arrangements and mitigating measures have been deleted.
- The proposed revised implementation timescale will be too short for a proper and consistent implementation in GB regime.
 - National Grid and ENTSOG pushing back against this revised implementation period
 - ENTSOG proposing **24 months** implementation

EU Tariffs Code: RPM

- Total freedom as to choice of Reference Price Methodology (RPM) but must be compared to Capacity Weighted Distance methodology as counterfactual
 - Push from some TSOs for reinstatement of postage stamp as counterfactual
- Now have 2 Cost Allocation Tests (one for capacity and one for commodity)
 - ENTSOG deem this too complex
 - Text not adapted to a commodity based CRRC being allowed at domestic points but not at IPs
- Proposed RPM to be subject to an industry consultation

EU Tariffs Code – ACER review and Guidance

- Concerns by TSOs over ACER's role post consultation on proposed charging regime
 - ACER to review consultation document plus summary and evaluation of consultation responses
 - ACER can make recommendations to which NRA must take “utmost account”
 - Concerns that this does not align with competence of ACER as outlined in Regulation (EC) 713/2009
 - In addition, ACER's ability to request information from NRA and requirement for NRA to respond within 30 days not foreseen by Third Energy Package.
 - ACER review will slow down implementation process
 - ENTSOG believes ACER's should have monitoring and reporting role instead

EU Tariffs Code – ACER review and Guidance

- TAR NC has obligation on ACER to analyse regulatory approaches applied in EU and produce “Guidance Document”
 - Aims at producing transparency on allowed revenues
- Concerns by TSOs that this goes beyond scope of TAR NC
 - Code is about harmonising allocation of costs to users and **not** about harmonising the setting of allowed revenues.
 - ENTSOG view is that ACER does not have the competence for this task
- Since setting allowed revenue is outside of scope of TAR NC, ENTSOG supports the deletion of this article.

EU Tariffs Code – Storage Discounts

■ Previous proposals was:

- Default discount of 50% of capacity reference price
- Default value can be increased or decreased subject to considering
 - Net benefits or costs storage provides transmission system
 - Interrelation of storage and investments in transmission
 - Need to minimise effects on cross-border trade

■ Latest proposal (as of 23 March)

- Discount of at least 50% with no criteria required if higher discount proposed
- ENTSOG will push for more flexibility

EU Tariffs Code: Fixed versus floating prices

- for existing capacity sold at IPs:
 - only floating payable price approach shall be offered;
- for incremental capacity and existing capacity offered in the same auction:
 - the floating payable price approach may be offered;
 - the fixed payable price approach may be offered where either of the following conditions is met:
 - an alternative allocation mechanism set out in amended CAM code;
 - a project is included as PCI
- ENTSOG proposing TSOs to offer fixed prices where fit for purpose

EU Tariffs Code: Multipliers at IPs

- Multipliers for quarterly and monthly capacity to be between 1 and 1.5
- Multipliers daily and within day capacity products to be between 1 and 3.
 - Defaults to 1 to 1.5 after 4 years
- Multipliers to be reviewed after 2 years and code may be amended to new ranges if need for change identified
- ENTSOG push for no automatic reduction in cap after 4 years but should be outcome of prescribed review

EU Tariffs Code: Interruptible Capacity at IPs

- By default interruptible capacity price to be based on probability of interruption
 - Discount shall be ex-ante
 - Shall also apply to back-haul at unidirectional IPs
- NRA may allow ex-post discounts where
 - No conditional firm is offered
 - Likelihood of interruption is very low
 - Oversubscription and buyback mechanism is implemented
 - Compensation paid equal to 3 times firm price
- Text being reviewed by EC but no detail shared so far

EU Tariffs Code: Existing contracts

- Code protects fixed price element of existing long-term capacity contracts where,
 - Booked before **29 November 2013**
 - Incremental booked after **29 November 2013** and before the code enters into force.
- This text is in the section of code applicable to all points but code only obliges move to floating prices at IPs.