Compliance of mod 621 and alternatives with EU law – RO (g) and charging RO (e)

	Positive	Negative	Overall
TEMPLATE SECTION B &C TAR NC article 4.1 Split of revenue between transmission and non-transmission	**621 and All variants** In the mod but need to explain against criteria in TAR NC Article 4.1		
TEMPLATE SECTION C 8 &9 TAR NC Art 4.3 Flow based charges and CRRC	**Query how ACER will determine compliance with section 4.3 when NRA approval is a criterion – perhaps assumed if final consultation sent to ACER** More detail needed here on 4.3 a and b subheadings		
TEMPLATE SECTION A 1 A TAR NC Art 6.3 – same RPM shall be applied to all entry and exit points in the system		**621 and All variants** The RPM includes existing contracts for exit price calculations but excludes them for entry price calculations. Effectively different FCC values are used for entry and exit price calculations TEMPLATE SECTION A1D	
TEMPLATE SECTION A 1 A	**621 J** Uses equalisation which is permitted	**621 and all variants**	

TAR NC Art 6.4 - Adjustments to the application of the reference price methodology to all entry and exit points may only be made in accordance with Article 9 [specific capacity discounts eg storage] or as a result of one or more of the following [benchmarking, equalisation, scaling]	Comment: the RPM methodology is not as described in TAR NC, other RPM are allowed but need to be compared against that described in TAR NC	Amending data inputs by netting off existing contracts at entry points is not one of the adjustments allowed. Where there is a 0 price the adjustment from 0 does not fit with one of those allowed	
TEMPLATE SECTION A 5 TAR NC Article 7(b) & (e) The reference price methodology shall comply with Article 13 of Regulation (EC) No 715/2009 and with the following requirements. It shall aim at: (a) enabling network users to reproduce calculation of reference prices and their accurate forecast	Provision of models should enable this, subject to NOC being provided. Using obligated capacity in the interim period and on an enduring basis for **621 B** enables more certainty in reference prices	**621 variants apart from B and J ?** From the start of the enduring period there will be more uncertainty in forecast charges due to no definition of how FCC will be set	
(b) taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;	**621 and all variants except J** The RPM uses distance as a cost driver, it is logical that the further gas flows the great use of the network it makes and hence a higher charge	**621 and all variants** If allowed revenue is a proxy for cost incurred then removing part of it by netting off existing contracts is inconsistent with cost reflectivity. Reference prices are high at exit points close to entry points which demonstrates	

		they are not reflective of the cost of using only a small part of the network.	
(c) ensuring non-discrimination and prevent undue cross subsidisation including taking into account the cost allocation assessments	Add commentary on cost allocation of each mod		
(d) ensuring that significant volume risk related particularly to transports across and entry-exit system is not assigned to final customers within that entry-exit system	More work needed here	More work needed here	
(e) ensuring that the resulting reference prices do not distort cross-border trade	More work needed here	More work needed here	
TEMPLATE SECTION A 1 A TAR NC Article 8 describes the detailed CWD calculation but makes no provision for a FCC value of 0		A 0 value for FCC effectively excludes that part of the network from the CWD calculations so the reference prices do not reflect the network.	
TAR NC Article 8.1 where E/E points cannot be combined in a flow scenario this combination of E /E points shall not be taken into account		A FCC value of 0 effectively eliminates certain combinations of E/E flows even though flow scenarios between the points are possible. The 'relevant flow scenarios' change from interim to enduring period TEMPLATE SECTION D 11	
TEMPLATE SECTION A2A FOR STORAGE A2C FOR ENDING ISOLATION	**621 and all variants** 50% or 86% at storage are compliant as they are at least 50%		

TAR NC Article 9 specific capacity discounts	**621F** 50/86% at bi-directional interconnectors		
TAR NC Article 13 Multipliers and seasonal factors	**621 and all variants** Values proposed are consistent with values in TAR NC	Applying at points beyond IPs is a GB issue – needs consideration against other RO	
TAR NC Article 16 Interruptible capacity pricing	**621 and all variants** Ex ante discount that relates to probability of interruption is complaint – banding aids some consistency of approach	Applying at points beyond IPs is a GB issue – needs consideration against other RO	
TAR NC Article 26.1 (a) (vi) If RPM proposed is not same as that in Article 8 will need to compare all parameters and prices with the CWD described in Article 8 TEMPLATE SECTION A6	Comparison needed for compliance needs to enable stakeholders to identify main differences, advantages and disadvantages	Comparison needed for compliance needs to enable stakeholders to identify main differences, advantages and disadvantages	
TAR NC Article 30 (a) i & ii requires publication of tech capacity and FCC at E/ E points and assumptions used Article 30.2 (a) requires explanation of changes in level of tariffs through the rest of the regulatory period		FCC according to article 8 will be 0 at more points in the enduring period But enduring period starts after end of regulatory period ??? Assume will be included in final consultation ??? TEMPLATE SECTION D 11 B	
TAR NC Article 35 Existing contracts	**621 and all variants** Capacity price paid by existing contracts is protected by all variants. The consideration of revenue recovery charges varies between alternates	It is a GB issue that these rules are being applied to a later cut off date – needs consideration against other RO	

Existing Contracts issues impacting on other Relevant Objectives

RO C and Charging OBJ AA I – Licensee's obligations and undue preference

Removing existing contract volumes and revenue before calculation of reference prices leads to higher reference prices for the remaining unsold capacity.

Does this create an undue distortion between existing capacity holders and parties buying capacity in the future ?

The average prices hide that all prices in CWD model exhibit a range – existing contract prices cover a range too (info not publicly available)

Existing capacity is held on quarterly blocks and future bookings cannot be changed, whereas other new capacity bookings can be purchased daily and profiled to meet requirements – is this sufficient to ensure there is no undue preference in the interim period and the enduring periods too?
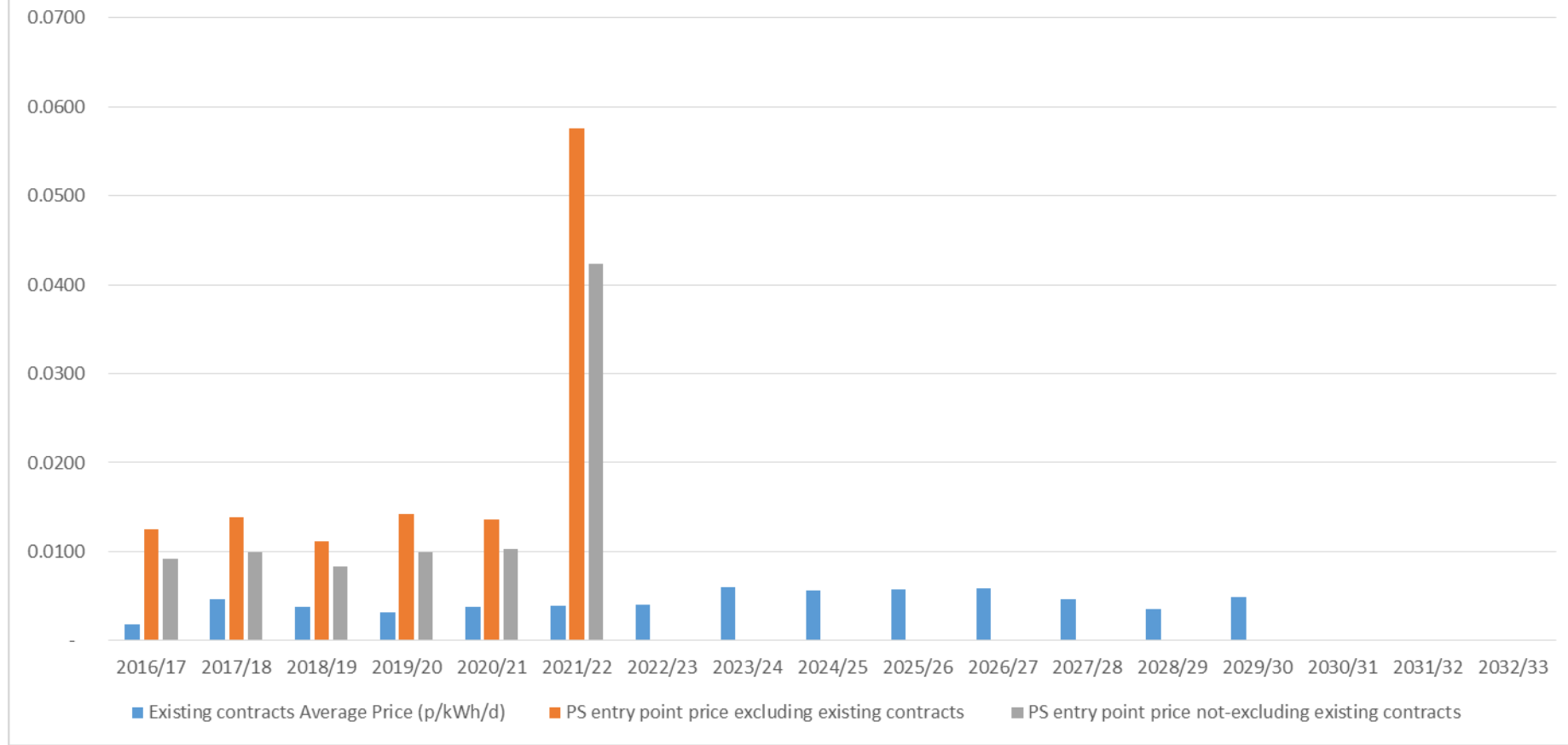
RO D and Charging OBJ C – competition

Capacity prices will change year on year as existing contracts expire where existing contracts are excluded prior to the reference price calculation – the graphic below can be populated with these values when available.

Is there an impact on competition here ? is this an undue distortion ?

Query logic of NG's FCC forecast in enduring period at exit using DN bookings but at entry not using existing bookings in the same way ?

Comparison of non-storage entry prices using PS model V 2 with exisiting contracts average prices

Legend:
- ■ Existing contracts Average Price (p/kWh/d)
- ■ PS entry point price excluding existing contracts
- ■ PS entry point price not-excluding existing contracts

RO D and Charging OBJ C – competition

Charging OBJ A – cost reflectivity

As capacity prices are not based on forward looking marginal costs as economic theory would suggest for cost reflectivity, but a proxy of distance so capacity charges may not be truly cost reflective. Excluding existing contracts extends any distortions arising from locationally differentiated capacity charges where they are not cost reflective. This leads to lower non-distortive commodity charges.

Charging OBJ A – cost reflectivity

Where the distance matrix is an input to the RPM and we are assuming distance is a cost driver, excluding certain valid routes from the matrix (eg Milford Haven and Isle of Grain in the enduring period) changes the weighted average distance of all points and makes the prices less reflective of the network flow scenarios and therefore less cost reflective.   As these contracts expire these routes will be reintroduced in to the flow scenarios and the weighted average distance and hence price will change as a result of contract expiry.