Informal MS Meeting on Gas NCs

Explanatory slides on NC TAR and NC CAM amendment

28-29 April 2016

Directorate General for Energy

TAR NC

Asset cost split (ACS) (Article 9)

- Comments from MS & stakeholders both in favour and against ACS
- EC considers that ACS is needed in specific cases to shield captive customers from transit-related volume risk
- Revised draft retains ACS with the following changes:
  - **ACS now also for existing capacity**
  - **Language on process and terminology clarified**
  - **Conditions and process combined in a single Article**

ACER review (Article 27)

- EC took note of MS concerns at meeting of 10/11 March and adapted Article 27 accordingly
- Changes based on MS positions:
  - **Criteria for review narrowed down (Article 27(2))**
  - **ACER to provide first reaction after one month in all cases**
  - **Non-binding nature of ACER recommendations clarified**
  - **Language similar to certification of TSOs deleted**

ACER guidance on regulatory accounting principles (Article 38)

- EC took note of MS concerns at meeting of 10/11 March and has changed language to emphasize non-binding nature of the ACER guidance

Implementation (Article 41)

- **Issue**: How to time the first review of reference price methodologies (rpm) based on TAR NC?
- Old wording made timing dependent on duration of running regulatory period
- New wording envisages first rpm review for all TSOs in time for 2018 annual auction (assuming entry into force on 1 January 2017)

- Advantages of new wording:
  - **Simplified rule**
  - **TAR NC applying in all MS at the same time**
  - **Avoids year-long delays to implementation**
  - **Link to annual auction/gas year (tariff levels) more appropriate than regulatory period (TSO revenue)**

Options for storage discounts

Issue to be addressed:

- "entry paid" role of storages in system (differing from other flexibility infrastructure elements);
- their contribution to system efficiency and SoS; and
- acknowledgement of the different costs they may mean to the system

Originally proposed text allowed for much flexibility with complex criteria

Proposal to simplify along two possible options

Option 1: "at least 50%" discount and removal of criteria

- Meaning 50%+ discount for entry from storage to the network and for exit from the network to storage

Option 2: bottom-up approach with several criteria reinserted

- Meaning start with 100% discount corrected – on a case-by-case basis downward on the basis of storage-specific costs

BACK-UP: Discounts applied to entry-exit tariffs

Country	Discount entry from storage to network / exit from network to storage
Austria	100% / highly discounted
Belgium	0% / 100%
Bulgaria	70% / 70%
Croatia	0% / 90%
Czech Rep.	No general discount
Denmark	100% / 100%
France	80% / 80%
Germany	50% / 90%
Hungary	-
Ireland	0% / 0%

Country	Discount entry from storage to network / exit from network to storage
Italy	14% / 14% *
Latvia	-
Netherlands	25% / 25%
Poland	80% / 80%
Portugal	0% / 0%
Romania	00% / 0%
Slovakia	0% / 0%
Spain	100% / 100%
Sweden	100% / 100%
UK	0% / 0% **

Source: 2013 data from "The impact assessment for rules on harmonised transmission tariff structures for Gas and allocation of new gas transmission capacity", Strategy& PWC, 2015; Updated with GSE data
* Applied when costs are allocated to each pipeline;
** No discount on capacity charge, free of charge from commodity charge.
ET, FI, EL, LH, LU and SI: no storage facility.

CAM NC Amendment

Freely allocable and path-based capacities

- Products other than freely allocable firm (or interruptible) capacities are used in at least DE, AT, BE, NL, LU, (UK)
- While these products may be necessary for the cost-efficient functioning of the entry-exit system their path-based nature stretches the ideal concept thereof
- Aim of the proposal is to
  - **ensure that freely allocable firm capacity is maximized**
  - **if path-based products are offered, identify those products which are crucial in the portfolio of certain TSOs which had/have a transit role as compared to those with servicing a large captive customer base**
  - **sale of path-based products alongside freely allocable products thereby also avoiding extra auction**
  - **launch a broader discussion on the role of different capacity products in the context of the further integration of the EU gas market**

BACK-UP: Capacity categories (source: ENTSOG)

Capacity type	Explanation of the meaning of the capacity type	TSOs offering the capacity type
Firm	Capacity that allows transports within a whole market area and access to its virtual trading point without any limits under normal operational conditions	all TSOs
Restrictedly usable firm	Capacity that ensures firm freely allocable network access within an entry-exit-system including the virtual trading point on a firm basis within certain temperature ranges, gas flows and/or entry-exit-system load/demand	Thyssengas, Fluxys TENP, GRTgaz D, GTG Nord (called "bFZK" in Germany - used on entry points to control regional distribution of incoming flows; called "TAK" if used at network points to storages) Creos
Restrictedly allocable firm	Restrictedly allocable capacity ensures the injection of gas on a firm basis at entry point(s) and the withdrawal of gas at dedicated exit point(s) and vice versa on a firm basis; access to the virtual trading point is excluded	bayernets, Thyssengas, Fluxys TENP, OGE, GUD (called „BZK" in Germany; if the distance between the entry and exit points is short, the product may be called "Shorthaul") Fluxys Belgium** (called "OCUC (Operational Capacity Usages Commitments)") GTS*/**
Dynamically allocable firm	Dynamically allocable capacity ensures the injection of gas on a firm basis at entry point(s) and the withdrawal of gas at explicitly dedicated exit point(s) and vice versa on a firm basis and shall function as interruptible capacity in combination with all other exit/entry point(s) and the virtual trading point	GASCADE, GRTgaz D, GCA, TAG, NEL, GTG Nord, Fluxys Deutschland, LBTG, ONTRAS (called „DZK" in Germany)

*/**GTS offers a product called Shorthaul on a FCFS basis. The feature that sets Shorthaul apart from Restricted allocable firm capacity is the fact that Shorthaul gives access to exactly one physical exit point using flange capacity that exceeds the technical available capacity and thereby does not limit the amount of available technical capacity on auction at any network point in the GTS grid. Whether Shorthaul is feasible depends on the distance between the entry and exit point, the amount of capacity and the duration of the contract. These parameters determine the Shorthaul tariff. **Wheeling (also offered by Fluxys Belgium) is Shorthaul over a zero distance (two flanges on the same physical location) to allow shippers a U-turn on the Dutch, respectively Belgium border.

Alignment of transport contract terms and conditions

- although the Gas Regulation prescribes firm capacity as '*contractually guaranteed as uninterruptible*' very different notions of firmness exist across the EU in capacity contracts; many other contractual terms and conditions differ greatly as well
- since the preparation of the CAM NC (1.0) stakeholders have been adamant about the need to harmonize TSO contractual terms and conditions especially in the context of capacity bundling
- voluntary process have started between stakeholders and TSOs with little effect
- the proposal foresees a structured and inclusive process led by TSO and ENTSOG to establish a **template for common terms and conditions** for the benefit of network users

Annual quarterly auctions

- PL proposed in the last MS meeting to move from annual quarterly auctions to rolling quarterly auctions
- DG ENERGY has been informed of substantial initial stakeholder support (EFET and IOGP) on this matter
- DG ENERGY is neutral on the issue and is ready to propose a corresponding amendment if there is strong stakeholder support and no major issues raised by ACER/ENTSOG
- DG ENERGY proposes that ENTSOG prepares a concept and organizes a quick consultation on the basis of which a proposal can be tabled for June comitology meeting

Capacity platforms

- DG ENERGY considers it important that capacity at all interconnection points are offered on capacity platforms
- For now we continue to favour an organic process of agreement between NRAs and TSOs that can lead to the resolution of differences and correspondingly the use of the platform(s) at the HU/AT, DE/PL, EL/BG, RO/BG, LV/LT points
- If however no results are achieved over coming weeks we do not see any other means than to propose amendments to the CAM NC setting out cooperation principles between platforms