

EU Tariff Code Update

NTSCMF: November 2015

EU Tariff Code Timeline

- **6,10 & 23 November:** Trilateral meetings between EC, ACER & ENTSOG on potential changes to TAR NC
- **15 December 2015:** EC to hold an open informal information session on the key changes to the Tariff Code.
- **End February 2016:** EC to publish their Impact Assessment and the revised text of the code in the comitology register.

EU Tariff Code Timeline

- **10-11 March 2016:** pre-comitology meeting of Member States (where the English language texts will be discussed).
- **28-29 April 2016:** First formal comitology meeting (using the translated texts) where Member States will formally propose any amendments.
- **29-30 June 2016:** 2nd formal comitology meeting where EC will present revised text and a vote on the Tariff Code and CAM amendment is expected.
- **EC has no plan for a 3rd Comitology Meeting**
- **Process aims for completion by end 2016**

EU Tariff Code: Points for consideration

■ Reference Price Methodology

- CWD will most likely be used as the counterfactual
 - Very different from current investment based model.
 - What are the key parameters?
 - If points can be treated as groups – what level of clustering?

EU Tariff Code: Points for consideration

- **Alternative capacity products**
 - Other capacity products allowed with aim to promote efficient use of the system
 - E.g. shorthaul, conditional firm ...
 - Tariffs based on discounted reserve price

EU Tariff Code: Points for consideration

- **Flow based charges: Two basic types**
 - **Type 1:** applicable at all points
 - Same at all entry and at all exit points
 - To recover costs mainly driven by quantity of gas flowed
 - Could be used to cover shrinkage costs
 - **Type 2:** applicable at non-IPs: so called “complimentary revenue recovery charge”
 - General revenue recovery charge
 - Could have similar purpose to current GB commodity charges

EU Tariff Code: Points for consideration

■ Multipliers at IPs

- Quarterly and monthly products to be based on annual reserve price with multiplier in range 1 – 1.5
- Daily and within-day products to be based on annual reserve price with multiplier in range 1 – 3
 - Range falls to 1 – 1.5 after 4 years

EU Tariff Code: Points for consideration

- **Interruptible at IPs**
- Interruptible tariff based on discount to firm reserve price
- Discount based on probability (Pro) of interruption
 - **$D_{i_{\text{ex-ante}}} = \text{Pro} \times 100\%$**
- The factor “Pro” can be calculated for each IP or groups of IPs but the same factor shall apply to an IP regardless to flow direction

EU Tariff Code: Points for consideration

- **Implementation timeline**
- National Grid views 2 years as very challenging and more time may be required.
- After entry into force the steps will include
 - Industry consultation on methodology, products and parameters
 - 3 month review period by ACER for non-binding opinion
 - 3 month decision period for NRA
 - Only then can UNC Mods be raised
 - Also require time for changes to systems, Licence and Methodology Statements

EU Tariff Code: Point for consideration

- Questions to address over time:
 - Use of Alternative Capacity products
 - Interaction with GTCR
 - Application of methodology to IP or all points
 - Interruptible
 - Multipliers