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for all gas and electricity customers

Gas Transmission Tariff Structures Framework Guideline

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4 October 2012

Process

Feb/Mar 2012: ACER consulted on scope

29-Jun-12: Commission invited ACER to write FG by 31 Dec 2012

- Requests all entry and exit points in scope
- Principles required on:
  - Cost allocation
  - Reserve price, revenue recovery and payable price
  - Transparency
- Consider principles based on IA for:
  - Incremental capacity
  - Use of locational signals
  - Effects of entry-exit zone mergers

5 Sep 2012 to 5 Nov 2012: ACER consulting on draft FG

18 Sep: ACER public workshop in Ljubljana

31 Dec 2012: ACER to submit FG to Commission

Draft FG: General provisions

- Scope: all entry and exit points (some aspects only apply at IPs)
- Objectives of FGs: contribute to non-discrimination, effective competition and efficient functioning of the market
- Objectives from Third Package on tariffs: transparent, account for system integrity and its improvement, cost-reflective, non-discrimination, facilitate efficient trade and competition, set separately for each entry and exit point, not based on contract paths, neither restrict liquidity nor distort trade across TSOs, avoid cross-subsidies, incentivise new investment and maintain or create interoperability of TSOs.
- Other considerations – balance between facilitating short-term trading and long-term signals for efficient investment
- Implementation: 12 months

Draft FG : Cost Allocation and Reference Price

- Apply to IPs and other points where auctions not used
- Methodology consulted on, published and transparent
- Methodology to be cost-reflective, non-discriminatory and transparent

Cost allocation

- Share of allowed revenues collected at entry and exit points
- Allowed Revenue recovered 50% from entry and 50% from exit
    - Deviations possible if justified

Reference Price

- Price of firm annual product
- Covers at least the fixed costs
- Entry:
    - Same method for all entry points on 1 TSO
    - based on major cost driver (e.g. distance)
        - equal entry tariffs on 1 TSO if justified
- Exit:
    - Same method for all exit points on 1 TSO
    - based on major cost driver (e.g. Distance)
        - equal exit tariffs on 1 TSO if justified

Draft FG: Flow based charges and storage

- Costs mainly driven by flows:
  - may be recovered via flow based charge (e.g. compressor fuel)
  - Levied at TSO level (not applied to specific points)
- Storage
  - Entry and exit points onto and off TSO from storage sites may have discount

Draft FG: Revenue Recovery

- Reference price set to minimise under-/over-recovery
- Regulatory account (similar to GB k-factor)
  - Percentage of under- and over-recovery added to this 'pot'
  - Regulators decide
    - share of under- or over-recovery added to Regulatory A/c, and
    - frequency of reconciliation
- Option 1: capacity approach
  - amount added to Regulatory A/c
  - recovered ex-post via adjustment to reserve price (for IPs) or regulated tariff (for other points where auctions not used)
- Option 2: separate charge based on capacity and commodity
  - recovered primarily via Regulatory A/c and adjustment to reserve or regulated tariffs
  - Recovered secondarily via separate charge (levied on flows or capacity booked and at TSO level)
    - Share recovered via commodity equal to share that total allowed revenues recovered from commodity

Draft FG: Reserve Price on short-term and non-firm

- Only applies to scope of CAM (i.e. IPs)
- Short-term (within-day, daily, monthly and quarterly) reserve price
  - Equal to or less than annual product price (i.e. reference price)
  - Seasonal factors may be applied
    - average price to be equal to or less than annual product price
      - But in some seasons may be higher
  - Multipliers higher than 1.5 may apply where significant under-recovery expected
- Interruptible reserve price
  - Discount to reflect risk of interruption
  - Low risk of interruption implies lower discount
- Backhaul reserve price
  - Discount to reflect marginal cost of service i.e. IT and admin costs

Draft FG: VIPs, bundled capacity and payable price

- Virtual Interconnection Points (VIPs)
  - Only applies to scope of CAM (i.e. IPs)
  - Reserve price set using combination of reserve prices for individual points in the VIP
- Bundled capacity
  - Only applies to scope of CAM (i.e. IPs)
  - Bundled reserve price = entry reserve price + exit reserve price
  - Unbundled capacity offered at unbundled reserve price
  - Revenues from bundled product
    - Each TSO receives its reserve price from sale of bundled capacity unit
    - Auction premium
      - Shared on basis of agreement between TSOs
      - If no agreement, shared equally between TSOs
- Payable price
  - Only applies to scope of CAM (i.e. IPs)
  - Reserve price at the time of capacity use + premium in auction when capacity allocated

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