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Gas Transmission Tariff Structures Framework Guideline

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Process

Feb/Mar 2012: ACER consulted on scope

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

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

18 Sep 2013: ACER public workshop in Ljubljana

23 Jan 2013: ACER public workshop in Brussels/Ljubljana

4 Feb 2013: ACER ‘open house’ event in Ljubljana/internet

31 Jan – 12:00 CET on 11 Feb 2013: Mini-consultation on proposed FG changes

31 Mar 2013: 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.
- Monitoring: ENTSOG to furnish ACER with data on implementation (e.g. % change in tariffs, over-/under-recoveries, etc)
- Transparency: cost allocation and reference price methodologies to be consulted on and published
- Transparency: greater data to be made available for users to estimate current and future reference prices
- Other considerations – balance between facilitating short-term trading and long-term signals for efficient investment
- Implementation: 12 months

Fixed contracts

- Acer asks for shippers to inform Agency of gas transportation contracts which have a fixed tariff and go beyond 2017.

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~~
- 25%-50% of allowed revenue recovered from entry
- Test to ensure allowed revenue per cost driver (akin to NG expansion factor) is within 5% for cross border and domestic points.

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~~
  - Methodology for capacity and/or commodity charges applying to entry and exit points off/onto TSO to/from storage sites (reflecting gas already paid to enter and exit the entry-exit system)
    - Alternative option: methodology for entry and exit points off/onto TSO to/from storage sites (reflecting safeguarding of efficient investments)

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 by dividing Reg A/c according to cost allocation methodology and an ex-post adjustment to reserve price (for IPs) or regulated tariff (for other points where auctions not used)
  - NRAs can decide
    - to apply different method at domestic points
    - To collect under-/over-recoveries on flow based charges by ex-post adjustments to flow based charge at domestic points only
- ~~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 and daily~~, monthly and quarterly~~ reserve price
    - Equal to or less than annual product price (i.e. reference price)
  - Monthly and quarterly reserve prices
    - Proportional to the annual product price
    - Multipliers between 0.5 and 1 possible if significant over-recovery expected
  - Multipliers higher than 1.5 may apply where significant under-recovery expected
  - ‘Significant’ defined as reference price increase above x%
    - Alternative: where gap between allowed and forecast collected revenues above y% of allowed revenues
  - Seasonal factors ~~may be~~ only applied if they improve efficiency and cost reflectiveness
    - average price to be equal to or less than annual product price
      - But in some seasons may be higher
- Interruptible reserve price
  - Discount to firm product to reflect risk of interruption
  - Low risk of interruption implies lower discount
- Interruptible at unidirectional points in counterflow (Backhaul) reserve price
  - Discount to reflect marginal cost of service i.e. IT and admin costs
    - Alternative: methodology accounts for reductions in cost due to lower forward flows

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
  - NRA may decide to use different payable price structure for incremental capacity

Discussion: Stakeholder views on changes

- Revenue recovery
  - Capacity only
  - NRAs to decide on mechanism for domestic points
  - flow based costs recovered by variation to flow based charge on domestic points
- Storage
- Definition of ‘significant’ for purposes of using short-term multipliers. Appropriate?
- Cost allocation – test appropriate?
- Backhaul – views on the alternative?
- Quarterly and monthly pricing – proportional as standard
- Payable price for incremental?

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