

ACER



Agency for the Cooperation
of Energy Regulators

Framework Guidelines on harmonised gas transmission tariff structures

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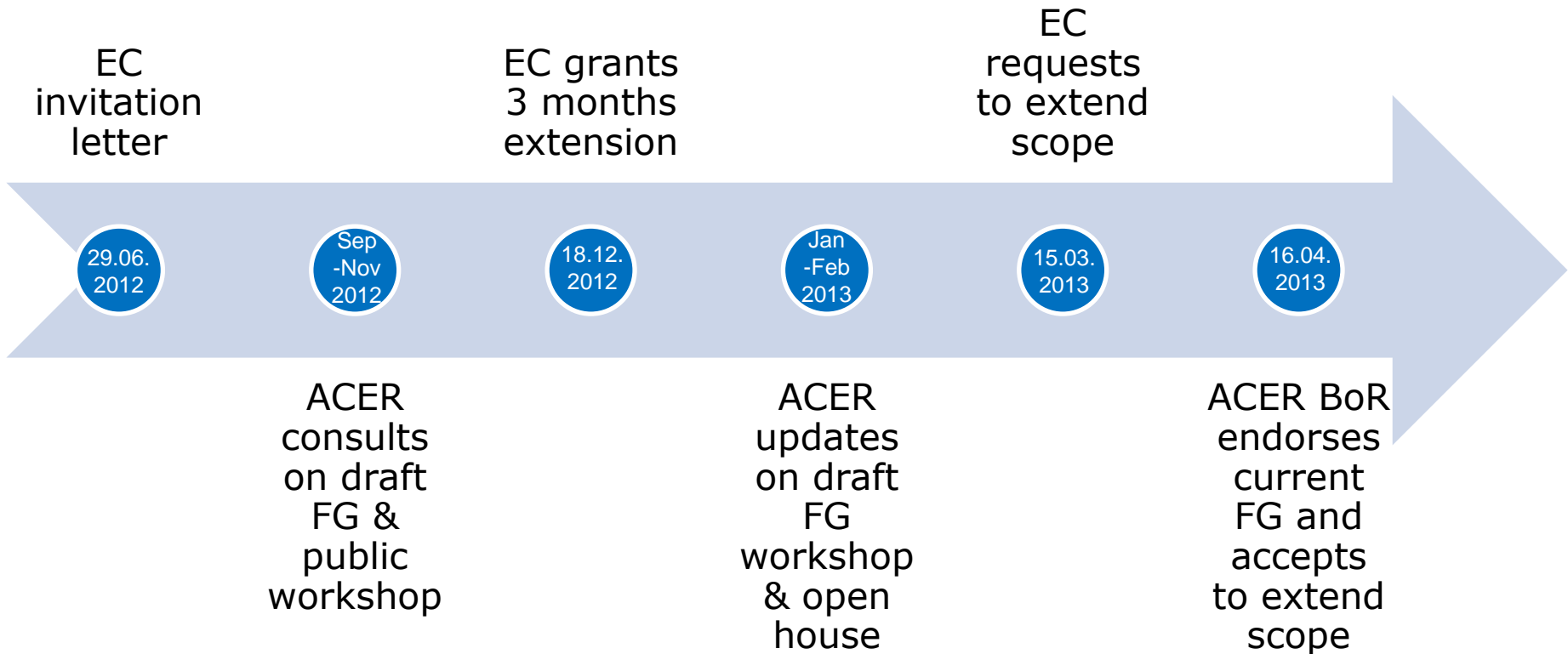
ACER Gas Working Group Vice-Chair

Ofgem Gas Transmission Charging Review Stakeholder Event, 8 July 2013

Agenda

- Process so far
- Content of the 'current' FG on tariff structures
- Next steps

Process so far



12 months of intense work with much stakeholder involvement

Overview of the FG tariff structures

**Transparency:
methodology,
costs,
congestion,
tariff
evolution**

Ch. 1-2: General provisions, publication requirements

**Avoid
risk of
discrimination
between
cross-border
and domestic**

Ch. 3: Cost allocation and determination of the reference price

**Enable CAM:
reserve price,
revenue
recovery and
payable price**

Ch. 4-8: Revenue recovery, reserve price, virtual interconnection points, bundled capacity products, payable price

non-discrimination, effective competition and the efficient functioning of the market
cost-reflectivity, avoidance of cross-subsidies, promotion of efficient new investment, and greater transparency

ACER delivered on EC's initial request

I-II. General provisions – publication requirements

Objectives

- make an estimation of the reference price and its evolution
- disclose all TSO services rendered and the corresponding tariffs
- understand how each tariff has been set

Content

- Rules generally apply to all entry and exit points
- Mandatory public consultation of tariff methodologies
- Explicit publication requirement of minimum set of data

III. Cost allocation and determination of the reference price

Objectives

- Prevent occurrence of cross-subsidy and discrimination
- Harmonise capacity / commodity tariff split
- Level playing field for storage

Content

- Same methodology for all entry and exit points
- Capacity based tariffs; commodity charges for fuel costs
- Avoid double charging of gas entering and exiting storage facilities

III. Process update

- 4 main cost allocation methodologies...
 - Postage stamp
 - Capacity weighted distance
 - Distance to the virtual point
 - Matrix
- ... to be potentially adjusted with secondary steps
 - Rescaling
 - Equalisation
 - Benchmarking

IV. Revenue recovery

Objectives

- Assure tariff stability for market participants and TSOs
- Prevent cross-subsidies between network users
- Harmonise capacity / commodity recovery mechanisms

Content

- Minimise ex ante gap between budget & reality (costs & revenues)
- Single regulatory account, reconciled in accordance with cost allocation methodology
- Capacity recovery charge at interconnection points

V. Reserve price for short-term and interruptible products

Objectives

- Balance between short-term trading and long-term signals for covering costs and promoting efficient investments
- Prevent cross-subsidies between network users
- Harmonise pricing for interruptible capacity products

Content

- Default proportional pricing for short-term products, but if justified
 - Multipliers of 0.5 to 1.5 for Q, M products
 - Within 0 and 1.5 for D and W-D products
- Seasonal factors allowed (in combination with multipliers up to 1.5 on average)
- Interruptible pricing shall reflect the likelihood and duration of interruptions
- Backhaul pricing shall reflect the actual marginal (additional) costs

VI-VII-VIII. VIP – bundled products – payable price

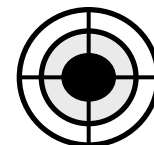
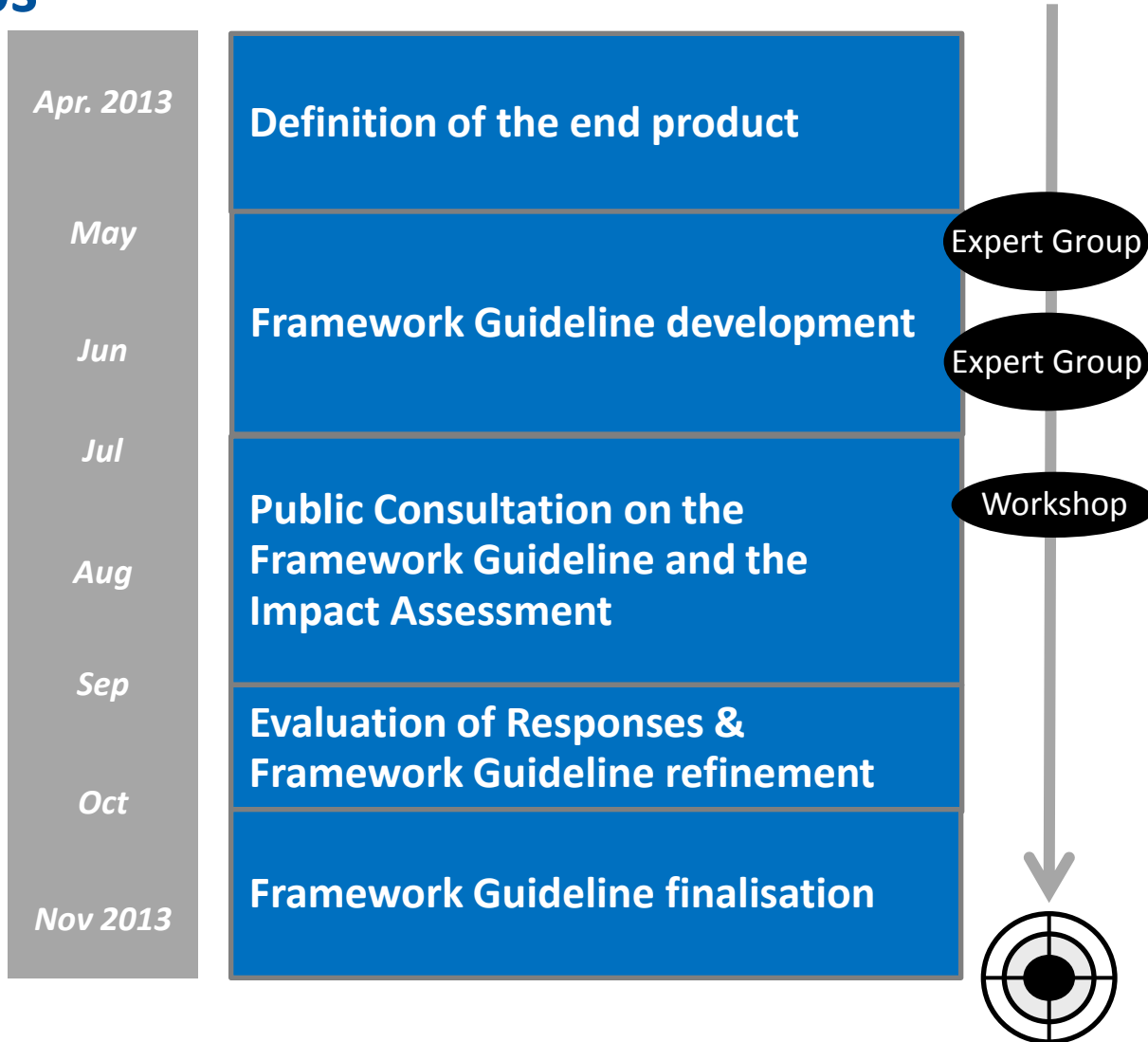
Objectives

- Harmonise pricing of CAM products
- Assure tariff stability for market participants and TSOs
- Prevent cross-subsidies between network users

Content

- Virtual interconnection points shall be priced based on the combination of the reserve prices set for the individual entry or exit points
- Bundled capacity products
 - priced at the sum of the the reserve prices of the entry and exit points concerned
 - premia shall be split equally, unless other agreement
- Floating payable price (sum of reserve price at time of use + auction premium)

Next steps



Thank you for your attention!



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