

Tariff Code: ENTSOG Kick-off meeting

TAR NC: ENTSOG Kick Off Meeting

- **Presentations from ACER, EC, EFET, Eurogas, GIE, IFIEC and OGP**

- <http://www.entsog.eu/publications/tariffs#TAR-NC-MEETINGS-SJWS--WORKSHOPS>

- **Main Points from day:**

- stakeholders concerns on regulatory changes and the corresponding impact on tariffs;
- the changes to existing contracts and the impact on moving to floating prices; which leads to tariff uncertainty;
- the level of multipliers;
- the treatment of interruptible capacity;
- minimum notice periods;
- mitigating measures.

Emerging Issues from Stakeholders

- What does the “NC on Tariffs shall apply to all contracts from Oct 2017 at the latest” really mean?
- Floating price principle versus fixed price
 - Floating tariff might be a threat to long term bookings
- Mitigating measures
 - Smoothing prices increase over tariff period
 - Possibility for a shipper to terminate capacity contracts
 - the option to have a fix reserve price in exchange for a premium
 - Cap any increase per year or within future tariff projections
- Multipliers and seasonal factors
 - Concern about cross-subsidisation between different categories of network users
 - Default day-ahead reserve price multiplier
 - Within day multiplier should be zero by default

Emerging Issues from Stakeholders

- Interruptible capacity – how to determine risk of interruption
- Clear rules for transmission storage connection points are needed
- Determining benefits of storage need for efficient investment – how to apply these to entry/exit tariffs
- Align publication notice period with CAM NC auction calendar
- **What problem are we trying to fix? – is the potential impact justified?**

ENTSOG: Alternative approaches for discussion

■ Floating vs Fixed Prices

- TAR FG provides for only 'floating price' possibility
 - might be situations when the fixed price is a better.
- ENTSOG will consider alternative proposals that could include both fixed and floating prices for discussion in the SJWSs.
- These alternatives would need to consider interactions with revenue recovery mechanisms.

■ Pricing for interruptible capacity

- Allow the possibility for interruptible capacity at uni-directional points to be priced in the same way as interruptible capacity at bi-directional points,

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- **ENTSOG Launch Documents now published:**

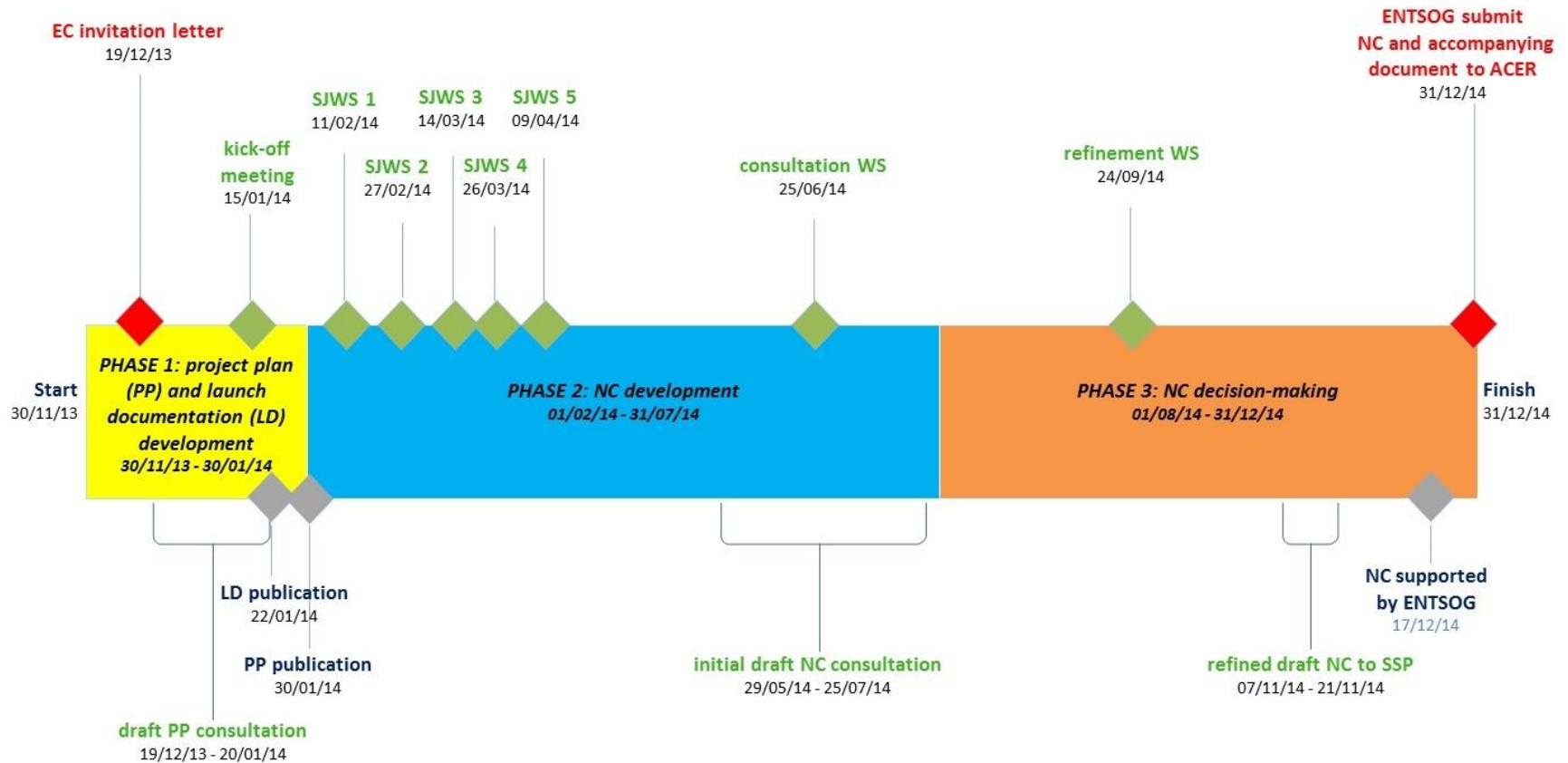
- Tariffs:

- <http://www.entsog.eu/publications/tariffs>

- Incremental Capacity:

- <http://www.entsog.eu/publications/incremental-capacity#All>

TAR NC Development Process



European forums for GB Stakeholders

- DECC/Ofgem European Stakeholder Group
 - Long term view
 - High level
 - Identify GB issues to influence EU level debate

- UNC European Work Group
 - Mid to near term view
 - Business rules & Technical discussions
 - Implementation

CEER/ACER Bridge to 2025

DECC-Ofgem European Stakeholder Group for Gas

Feodora von Franz
07/02/14

ofgem

The 2025 bridge and its pillars

Overarching paper

“Energy Regulation: A bridge to 2025”

More detailed “pillars”

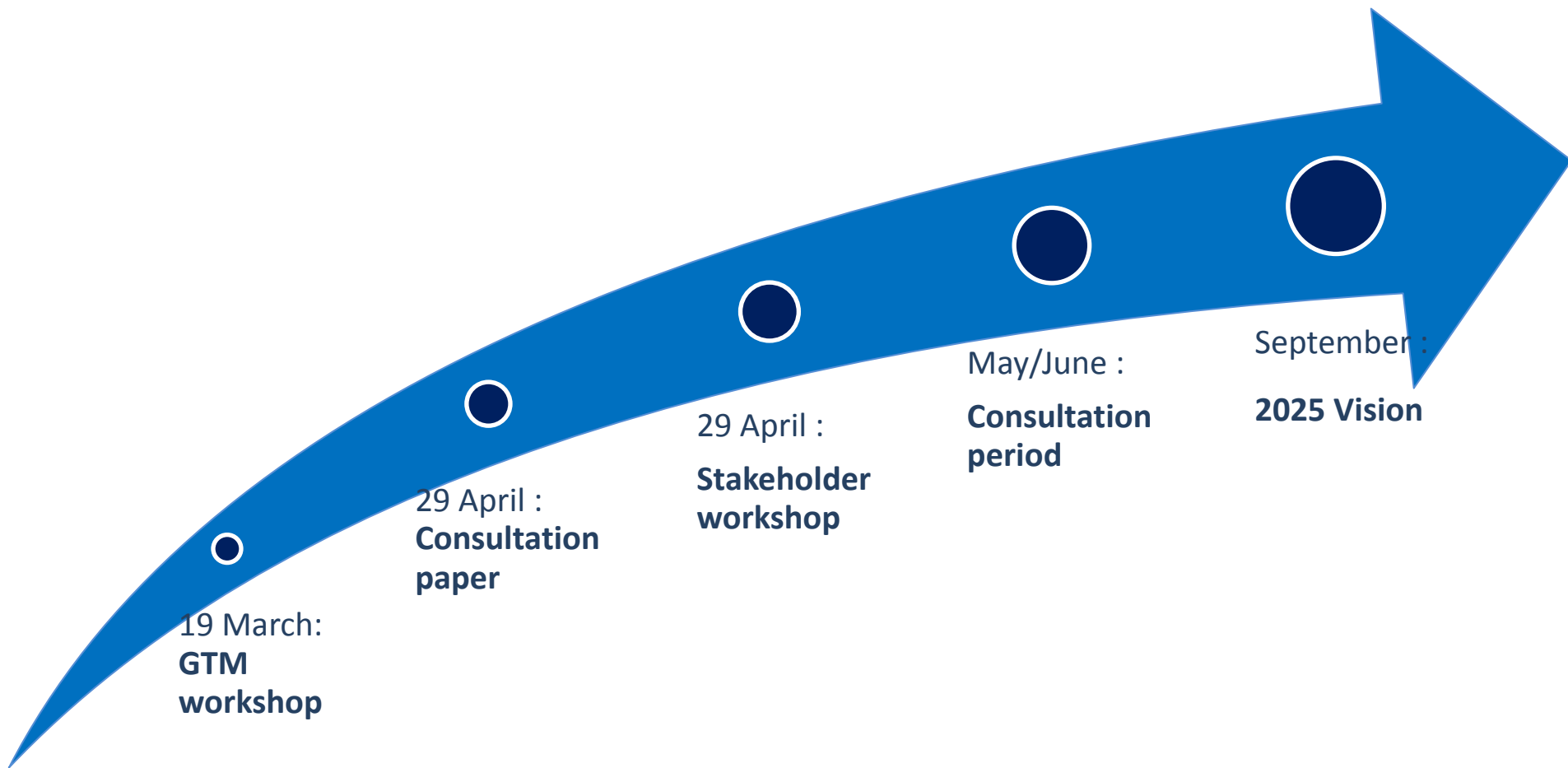
Gas

Electricity

Consumers

DSO

Timeline



Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

CAM: Next Steps
DECC-Ofgem European Stakeholder Group for Gas

David McCrone
7 February 2014

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Introduction

- Ofgem Open Letter published 31 October to ascertain industry perspective on various regulatory issues relating to the implementation of CAM.
- 16 responses received. Thank you.
- Broad level of agreement on proposed Ofgem view on general direction as set out in Open Letter.
- The following slides set out Ofgem's current view on the issues discussed, taking into account the responses received, and set out the proposed way forward.
- Please note:
 - Any modifications may require changes to NGG's Gas Transporter Licence, the UNC, NGG's Methodology Statements & other relevant documents;
 - Given the timeline for implementation, market participants may wish to take into consideration that current arrangements are subject to change.

2 Vs 3 TSO Bundling

Issue	Should bundling across continental interconnectors involve 2 or 3 TSOs?
Current Ofgem position	TSOs to decide on their own approach to bundling
Responses to Open letter	<ul style="list-style-type: none"> • Clear preference for 2 TSO bundle amongst shippers, though mixed views on whether 2 or 3 TSO model would lead to greater price responsiveness. • 3 TSO model cannot accommodate linepack. • Preference for TSOs to choose their preferred option.
Next steps	<ul style="list-style-type: none"> • TSOs to decide on bundling. • Production of 'concept document' by April 2014.
Current Lead Party	TSO led.
Industry Participation	<ul style="list-style-type: none"> • Encourage TSOs to engage with industry during development of concept document. • Expect TSOs to consult on concept document setting out the steps they propose to take to comply with CAM.

Bacton Entry Capacity

Issue	Bacton entry point receives interconnector and UKCS gas flows. How do we reconcile with CAM applying to flows from interconnectors only?
Current Ofgem position	Split Bacton into two ASEPs: <ul style="list-style-type: none"> • EU ASEP capacity = sum of technical capacity of BBL and IUK; • UK ASEP capacity = remainder.
Responses to Open letter	<ul style="list-style-type: none"> • Preference for a single EU ASEP incorporating both BBL and IUK. • Majority agree to make available maximum technical capacity at EU ASEP.
Next steps	<ul style="list-style-type: none"> • Requires Licence changes. • Timing to be aligned with CAM implementation.
Current Lead Party	DECC and/or Ofgem.
Industry Participation	Consultation on Licence changes.

Bacton Exit Capacity

Issue	Enduring annual exit capacity is not a capacity product available under CAM.
Current Ofgem position	End date existing enduring contracts to align available products with CAM.
Responses to Open letter	<ul style="list-style-type: none"> • Preference for end dating enduring contracts to 2018.
Next steps	<p>Potentially 2 UNC Mods identified to date:</p> <ul style="list-style-type: none"> • First to stop further enduring being sold at IPs (required to be implemented by June 2014); • Second to end date enduring contracts at IPs.
Current Lead Party	Expect NGG to raise UNC Mods.
Industry Participation	Consultation through UNC Mod process.

Flexibility at Bacton entry

Issue	Bacton entry capacity can currently be used interchangeably to either flow gas from UKCS or ICs. Splitting Bacton reduces this possibility. What measures can increase flexibility of capacity products at Bacton?
Current Ofgem position	Recognise concerns and looking to industry to develop products to increase flexibility. Need to consider treatment of existing holdings, but will need to tag holdings to either of new ASEPs.
Responses to Open letter	<ul style="list-style-type: none"> • Desire to maintain as much flexibility as possible. Many noted flexibility will be reduced under CAM. • Limited suggestions on how to retain flexibility.
Next steps	<ul style="list-style-type: none"> • Workshop held on 28th January to discuss possible solutions • Potential for aggregate overrun to provide degree of flexibility
Current Lead Party	Industry
Industry Participation	Further development of aggregate overrun

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