nationalgrid

EU Tariff Code Update

nationalgrid

EU Tariff Code update

- Draft Code and supporting document published
  - Consultation till 30th July
  - http://www.entsog.eu/publications/tariffs
- Stakeholder Workshop held 25th June
  - Based on early feedback the focus was on:
    - Mitigating measures (including discussion of one-off capacity reset), Capacity Allocation, Multipliers, Interruptible, Use of fixed vs floating prices at IPs
- Refinement Workshop 24th September

Tariff Timeline to Network Code Submission

nationalgrid

EU Tariff Code Update – early feedback

- Early ACER feedback:
  - Draft code has areas not on line with FG and insufficient harmonisation
  - Role of ENTSOG “to translate FG into applicable provisions”
  - Proposed amendments must be based on objective analysis
    - Should not undermine internal coherence of overall package
  - Transmission services definition: “by-pass mechanism” neutralises FG efforts re harmonisation and transparency
  - Floating price maintains link with price of capacity at use and cost allocation methodology – fixed price breaks this link exposing some users to revenue reconciliation and not others or shifts charging uncertainty from capacity to commodity.

nationalgrid

EU Tariff Code Update – early feedback

- Early stakeholder feedback
  - Draft code too open in places with no harmonisation and needs greater clarity
  - Timely publication of reserve prices prior to auctions is essential
    - Aligning publication to tariff year fails to meet this requirement
  - Predictability of transportation pricing critical to well functioning market
  - Clarity/transparency needed for all tariff components including those excluded from definition of “transmission services”
  - Strong stakeholder push for one-off capacity reset but not universal view – i.e. some large end-users concerned that reset may lead to “cherry picking” by cancelling contracts that are “out of the money” leading to under-recovery and thus increases to exit tariffs.
    - Commission thinks stakeholders have good arguments so want to hear counter arguments from TSOs – topic open for discussion

ofgem Making a positive difference for energy consumers

Facilitating the implementation of aspects of the CAM NC in GB

Ofgem – DECC – Stakeholder group

David McCrone
26/06/2014

ofgem

- Consultation on our 'minded to' decision published on 13th June (link)
  - CAM will be implemented at Interconnection Points only
  - Bacton ASEP will be split into Bacton UKCS and Bacton IP
  - Baseline capacity of the Bacton IP ASEP will be set at the sum of the maximum technical capacity of the interconnectors
- Does not discuss changes as a result of the change in Gas Day
- We are asking for details of existing entry capacity holdings and how they might be managed under our proposals
  - Opportunity for shippers to signal whether our proposed split would work in practice
  - Responses will be kept confidential and do not commit shippers to any course of action
- We also repeat our view that CAM applies to existing contracts
  - Ofgem are presenting further detail on this at UNC European workgroup on 11th July
- Please send responses to david.mccrone@ofgem.gov.uk by 8th August

ofgem Making a positive difference for energy consumers

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.

www.ofgem.gov.uk

ofgem Making a positive difference for energy consumers

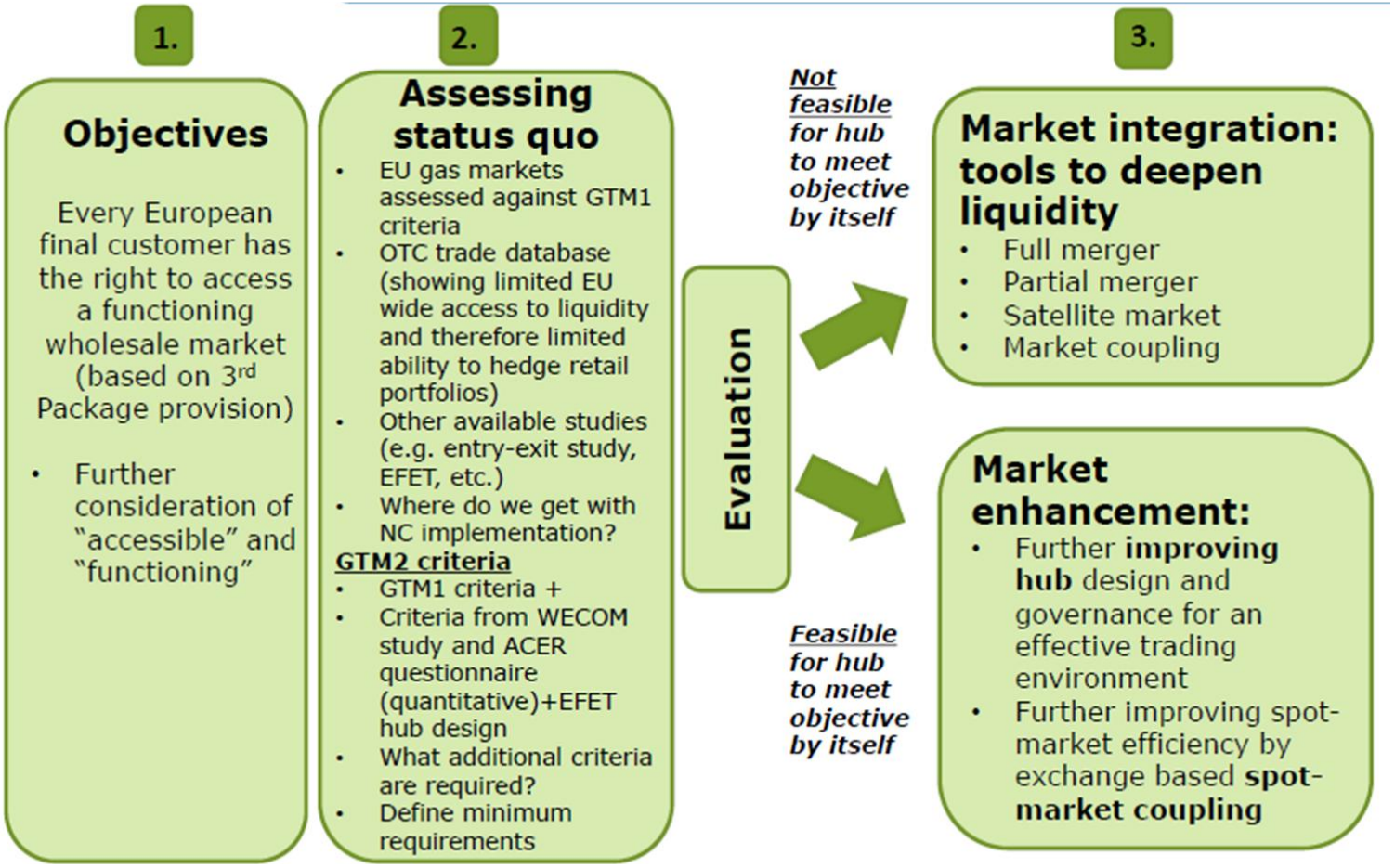
Revising the Gas Target Model: defining the functions

Rob Mills
26/06/14

ofgem

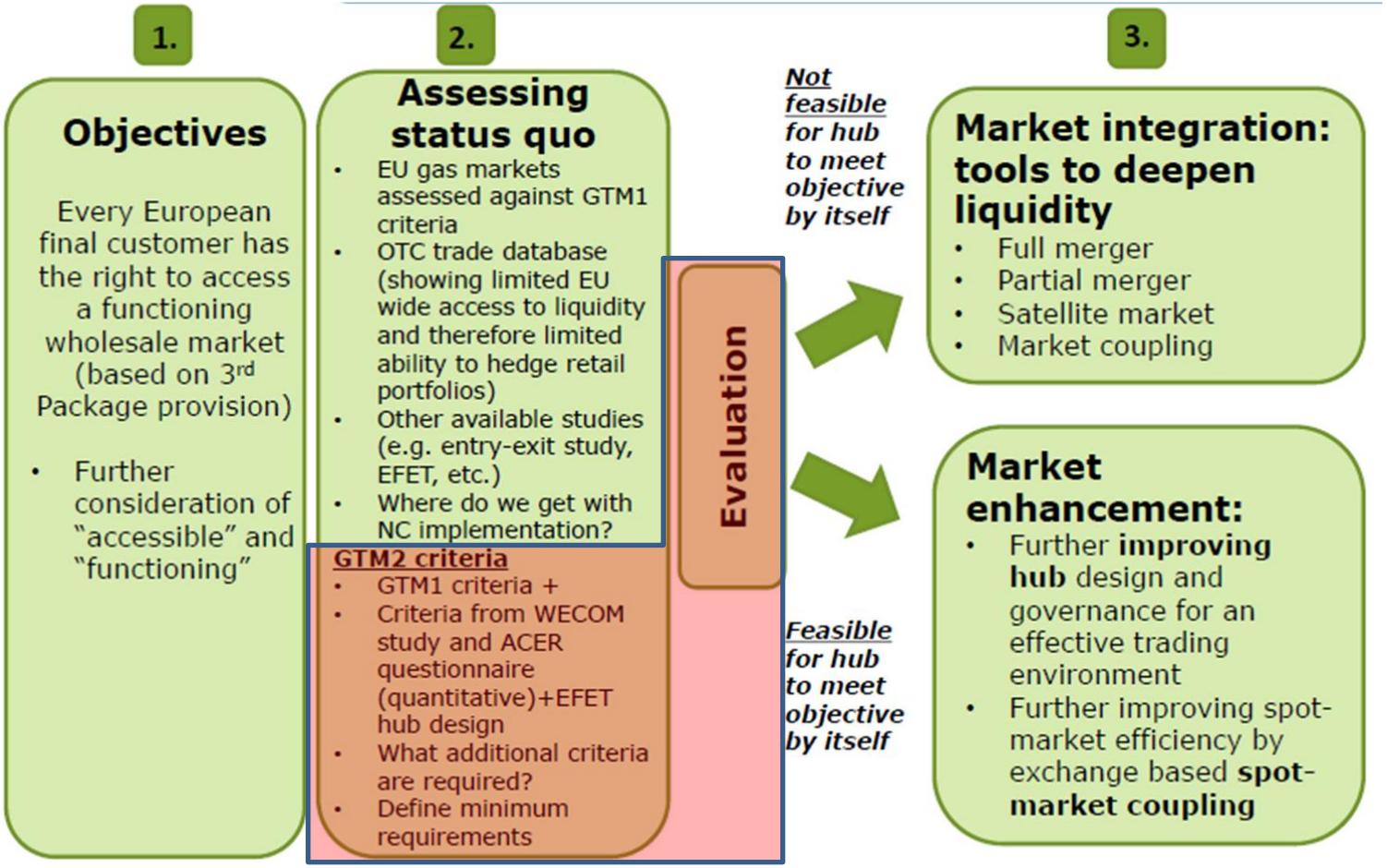
ofgem Making a positive difference for energy consumers

Wholesale market functioning and the GTM



ofgem Making a positive difference for energy consumers

Wholesale market functioning and the GTM



ofgem Making a positive difference for energy consumers

Does a gas hub meet the requirements of its users?

Is it competitive?

What liquidity is needed? How many trades? How much bid and offered? Where on the curve?

Can market participants hedge wholesale market risk?

How to consider basis risk -- and what's 'reasonable' for a shipper in an illiquid market to bear?

How many active counterparts?

ofgem Making a positive difference for energy consumers

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.

www.ofgem.gov.uk

CEER

Council of European Energy Regulators

First preliminary assessment of the EESS Communication – to be discussed at GWG on 17 June 2014

Ljubljana, 11 June 2014

Fostering energy markets, empowering **consumers**.

European Energy Security Strategy

Immediate actions aimed at increasing the EU's capacity to overcome a major disruption during winter 2014/2015

Commission and Member States should:

- Intensify cooperation within the **Gas Coordination Group** and notably continue **monitoring** natural gas flows and the level of gas storage and **coordinate** at EU and/or regional level national risk assessments and contingency plans;
- **Update** the risk assessments and the Preventive Action Plans and Emergency Plans, as provided for by Regulation 994/2010/EU;
- Launch **energy security stress tests** in light of the supply disruption risks in the upcoming winter, and develop back-up mechanisms if necessary; such as increasing gas stocks, developing emergency infrastructures and reverse flows and reducing energy demand or switching to alternative fuels in the very short term;

→ NRAs and ACER participate in the Gas Coordination Group
→ Possible enhancement of the existing mechanisms?
→ Should NRAs participate in the security stress test?

- Further cooperate with gas suppliers and TSOs to identify possible sources for short-term additional supplies, notably LNG.

→ Task for NRAs/ACER?

European Energy Security Strategy

Strengthening emergency/solidarity mechanisms including coordination of risk assessments and contingency plans; and protecting strategic infrastructure

Commission will

- Review existing mechanisms to safeguard security of energy supply and propose their reinforcement, where necessary, together with measures for the protection of strategic energy infrastructures and the proper balance between centralised and decentralised assets;

→ Revision of SoS Regulation might propose strategic reserve – regulatory position? Regional approach?

→ CEER GST TF already working on the issue together with GSE

- Propose to Member States and industry new contingency coordination mechanisms and plans to deliver energy to countries in times of need, based on risk assessments (energy security stress tests). The immediate focus should be on Member States on the eastern border of the EU.

→ Clarification of proposal needed

European Energy Security Strategy

Moderating energy demand

Member States should:

- Speed up measures to achieve the 2020 energy efficiency target, focusing on heating and insulation in particular in buildings and industry, notably through: ambitious implementation of the Energy Efficiency Directive and the Energy Performance of Buildings; reinforced regulatory and public financial support; promotion of energy services and demand response; accelerated implementation of the Sustainable Energy Action Plan; fostering EE in industry through a strengthened EU ETS

→ Existing regulatory work in this area, on demand response, etc.

Commission will:

- Review the Energy Efficiency Directive this summer to assess progress towards the 2020 EE target and indicate how energy efficiency can contribute to the 2030 energy and climate policy framework
- Identify clear priority sectors
- Identify remaining barriers to EE
- Review the Energy Labelling and Ecodesign Directives

→Not all NRAs competent for all EE aspects, some CEER work ongoing

European Energy Security Strategy

Building a well-functioning and fully integrated internal market

Member States should:

- [Strengthen regional cooperation where interconnectors, balancing arrangements, capacity mechanisms and market integration are contributing to energy security → clarify whether electricity or also gas]

→ ACER competence

- Complete the transposition of internal energy market legislation as foreseen by the end of 2014, notably as regards unbundling rules, reverse flows and access to gas storage facilities

→ Specific rules for cross-border access to storage in emergency situation?
→ Overall support for implementation
→ Include also market-based network access and balancing rules in the considerations

TSOs must:

- Speed up implementation of gas and electricity network codes

→ ACER and NRA competence
→ Consideration how to enhance early implementation
→ Preparation for binding implementation

European Energy Security Strategy

Building a well-functioning and fully integrated internal market

Commission will:

- Speed up infringement procedures related to internal energy market legislation where required

→ responsibility of Member States
→ Specificities of IEM Communication not known yet

- Work with Member State to ensure speedy implementation of all the Projects of Common Interest [and other measures to meet the target of achieving interconnection of at least 10 % of their installed electricity production capacity for all Member States by 2020 and a 15% target by 2030 - electricity]

→ Concrete measures to speed up PCI implementation?
→[NRAs´ view on increasing this target to 15% - electricity]

- Coordinate all available Community Funds, including the Connecting Europe Facility, European Structural and Investment Funds and European Investment Bank support to accelerate the construction of key interconnectors and related national and regional infrastructure

→ CEER advocated at length the primacy of user payment for grid expansion, rather than public funds.
→ TEN-E Regulation is being implemented and first annual call for CEF funding has been opened.
→ Fresh prioritisation of available funding may be welcomed (but doubtful whether this is a matter for regulators).

- Consider in cooperation with Member States and their NRAs what measures can be taken to speed up the appropriate Cross-Border Cost Allocation for the critical projects identified in Annex 2 and all measures that could lead to their completion in the next two to three years

→ Are there pending CBCAs?
→ ACER to verify if there are outstanding CBCAs, check the status of the projects in Annex2
→ Concrete proposals to speed up the CBCA process? Pressing need for a robust CBA methodology.

European Energy Security Strategy

Increasing energy production in the EU

Member States should:

- Continue the deployment of renewable energy sources in order to achieve the 2020 target in the context of a market-based approach;
- Initiate the Europeanization of renewable energy support systems through improved coordination of national support schemes

→Previous CEER / SDE TF work

- Accelerate fuel switch in the heating sector tor renewable heating technologies;

- Exploit, where this option is chosen, hydrocarbons and clean coal taking into account the decarbonisation priorities, and support demonstration projects for carbon capture and storage

- Assess the potential of unconventional hydrocarbons taking full account of Recommendation 2014/70/EU to ensure that the highest environmental standards are implemented

→ No NRA responsibility

European Energy Security Strategy

Further developing energy technologies

Commission will:

- Mainstream energy security in the implementation of the priorities of the Horizon 2020 Research Framework Programme and ensure that the forthcoming Integrated Roadmap of the Strategic Energy Technology Plan will be in line with the EESS

→ No NRA responsibility