

- Policy position consultation published today
- Detailed document on background, including assessment of potential impacts – published by 31/01
- Consultation closes 27 March 2015
- Stakeholder event planned for February 2015

EU Tariffs Code Update

Timeline of TAR NC Development

- 4th Dec. 2014: ENTSOG Board approval of Final Draft TAR NC
- 9th Dec. 2014: ENTSOG Tariff WG – discussion of EC Impact Assessment for TAR NC
- 17th Dec. 2014: ENTSOG General Assembly approval
- End March 2015: ACER Reasoned Opinion
 - Article 6(7) of EC 715/2009 allows for ACER to hold stakeholder consultation during this process (this has not occurred with previous codes)
 - ACER may request ENTSOG to amend TAR NC in light of reasoned opinion and re-submit

Timeline of TAR NC Development

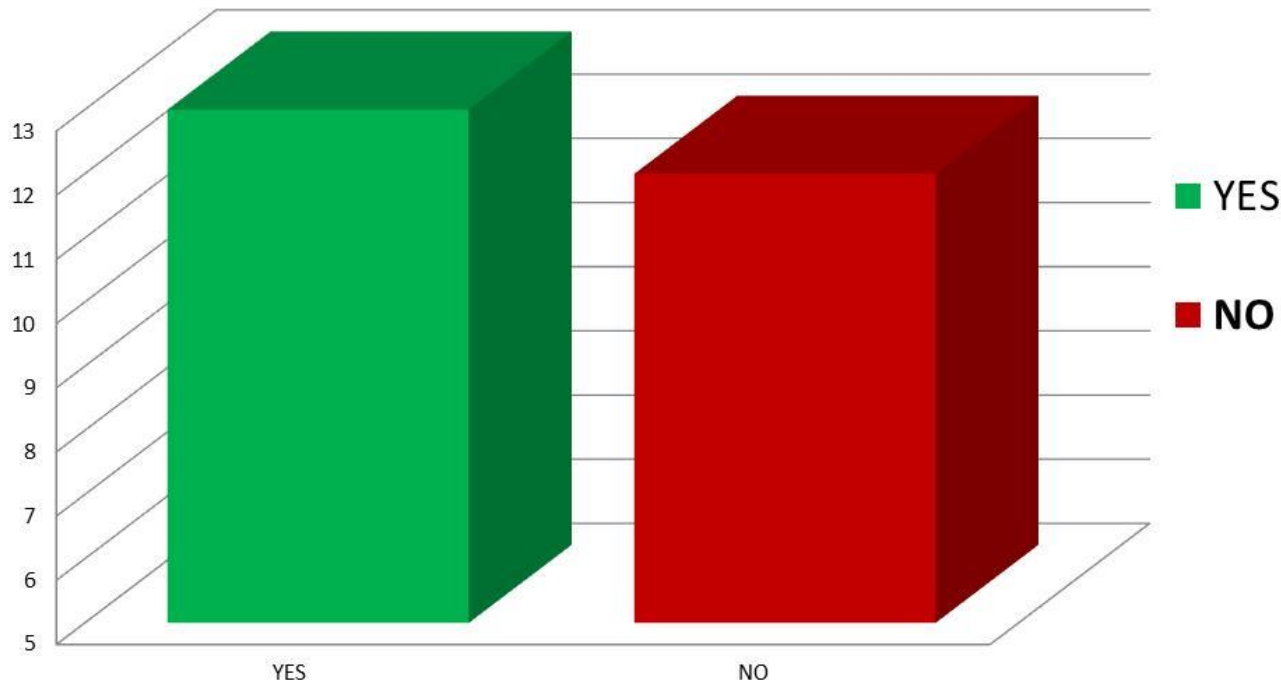
- April – June 2015? : ENTSOG, if requested, may amend and resubmit TAR NC
- ENTSOG may consult with stakeholders
- ENTSOG likely to hold Prime Movers meeting in June 2015 to discuss amended TAR NC

Stakeholder Support Process

- ENTSOG launched SSP on 7th November with publication of refined draft text
- Stakeholders asked whether they could support the refined draft text and the process used to develop it
- 28 responses received (10 came from national & EU trade associations)
- Process viewed as open & responsive but with reservations

Stakeholder Support Process

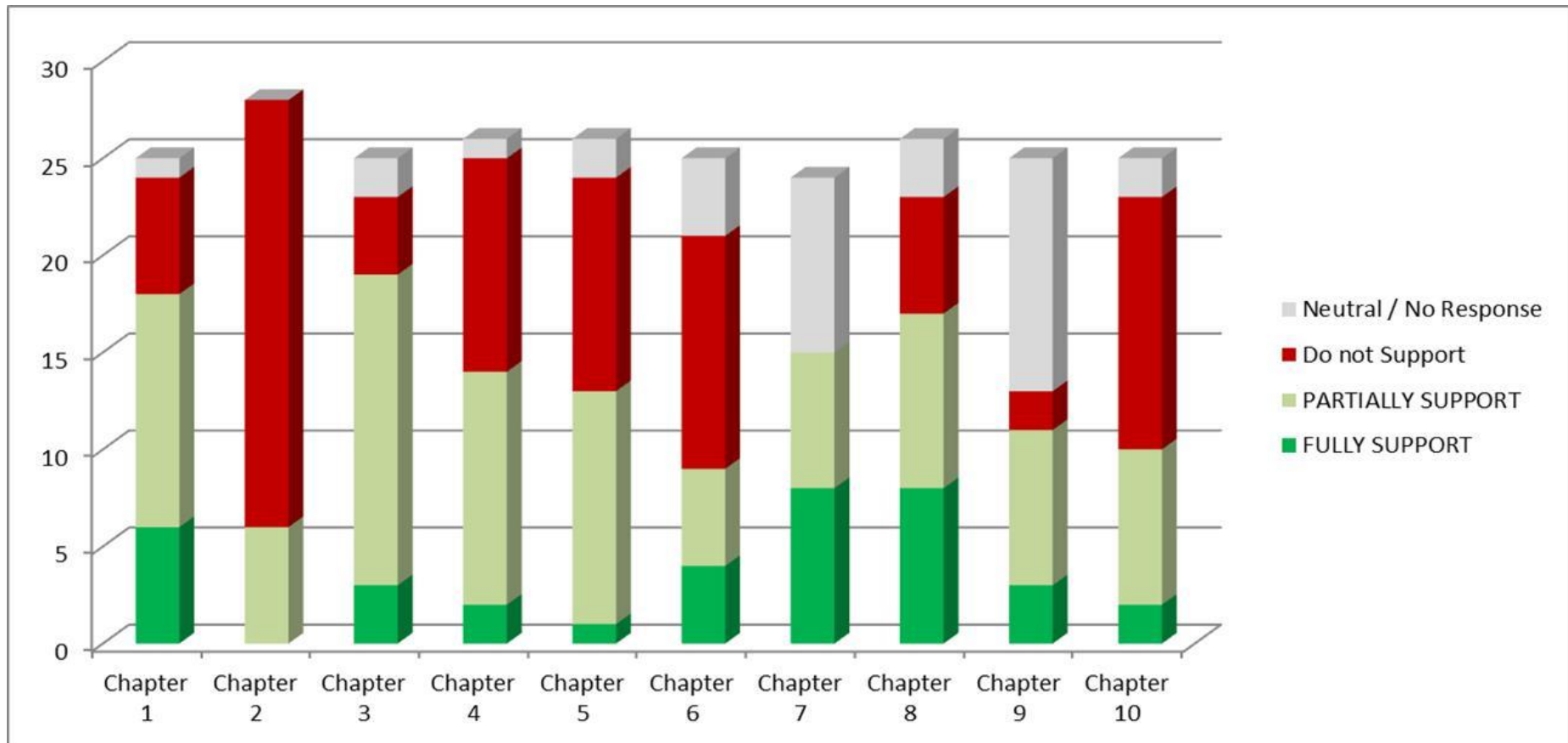
Do you consider that the TAR NC development process carried out by
ENTSOG was appropriate, given the regulatory framework provided?
In particular, was the level of stakeholder engagement appropriate?



Reasons for “No”: inadequate engagement with regard to the issues raised by stakeholders and that many improvements suggested by stakeholders had not been adequately addressed

Stakeholder Support Process

- Draft text not well supported by the market
- All responses published in ENTSOG website



Chapter 1: General Provisions (Articles 1 – 3)

- 72% of respondents either fully or partially supported this chapter whilst 24% did not
- Improvements could be seen regarding scope and definitions, but.....
- Little attempt at harmonisation.
- The term ‘dedicated services’ was not clearly defined and the chapter lacks clarity.
- Another suggestion was that of implementing a ‘descoped network code’.
 - Focused on transparency & consultation

Chapter 2: Cost Allocation Methodologies (Articles 4 –20)

- 79% of respondents did not support it with the other 21% having partial support
- Many aspects of the chapter caused concern,
 - the absence of harmonisation,
 - secondary adjustments,
 - the transparency regarding dedicated services charges,
 - double charging for storage issue not acknowledged
 - and the CRRC charge.
 - too many options for cost allocation methodologies

Chapter 6: Revenue Reconciliation nationalgrid (Articles 35 –38)

- 36% of respondents either fully or partially supported chapter 6, whilst 48% did not
- A larger number believed that there should be an obligation on TSOs to use sub-accounts, not only for tracking but also in order to outline, amongst other items, how any over- or under-recovery for dedicated services is handled.
- The revenue reconciliation provisions should also apply to dedicated services in addition to transmission services.

Chapter 8: Clearing Price and Payable Price (Articles 41 –42)

- 66% of respondents either fully or partially supported chapter 8, whilst 23% did not
- An overwhelming majority of respondents supported in introduction of a fixed price approach to pricing,
- There was also a strong view that there should be an obligation of TSOs to provide a fixed price approach and not just an option.

Chapter 10: Final and Transitional Provisions (Articles 48 –50) nationalgrid

- 52% of respondents did not support the text of this final chapter whilst 40% either fully or partially supported it
- Of those who did not support it, practically all expressed disappointment with the fact that their request for a one-off capacity reset has not been met
- Others also expressed concern regarding the protection of legacy fixed price contracts. They feel this leads to an unequal treatment of capacity contracts and that the TAR NC should apply to all contracts in the same manner.

EU Incremental Amendment Update

EU Incremental Amendment Update

- Timeline for Incremental Proposal follows that for the TAR NC
- Refined proposal in line with the consultation feedback and further considerations within ENTSOG and in bilateral discussions with ACER and the EC.
- Further refinements made following SSP
 - 11 stakeholder responses received (including 6 EU trade associations)

Stakeholder Support Process

- Main issues raised in SSP:
 - Stakeholders request economic test parameters in consultation
 - Stakeholders object to auctions as default, even in OSP
 - Recommendation to consider this to ACER
 - Stakeholders request fixed tariffs as default instead of option

Stakeholder Support Process

- Main SSP-induced changes:
 - Text changes to embed “fixed price” option
 - Increased publication requirements on ENTSOG Transparency Platform
 - Non-binding demand indications
 - All offer levels for incremental capacity
 - Where OSP selected, the NRAs shall align the length of the additional period for which binding commitments can be obtained with exemption of any relevant impacted infrastructure

Interoperability & Data Exchange (INT)

Comitology outcomes and next steps

David McCrone
12/12/14

ofgem

Comitology

INT network code approved on 4 November 2014

GB “wins”

- Agreed scope for an exemption from harmonised reference conditions at Moffat (Article 13)
- Agreed to limit scope of data exchange to those users active at IPs, or both IPs and VTPs (Article 20)

Other issues discussed in detail during the meeting

- Odorisation (agreed a default of non-odorised gas at transmission level if unable to resolve cross border trade restrictions)

Implementation

- No licence or statutory instrument changes envisaged
- Ofgem anticipating a letter from NGG on impact and activities required to implement certain aspects of the code
- We understand that implementation will be via UNC modifications and amendments to existing Interconnection Agreements (IAs) between TSOs
 - UNC 0510 Reform of Gas Allocation Regime at GB Interconnection Points
 - UNC0519 Harmonisation of Reference Conditions at Interconnection Points
 - Possibly other mods?
 - Industry engagement by NGG
- INT shall apply from 1 May 2016
 - NGG have indicated some aspects may be implemented earlier to tie in with CAM and BAL (October/November 2015)

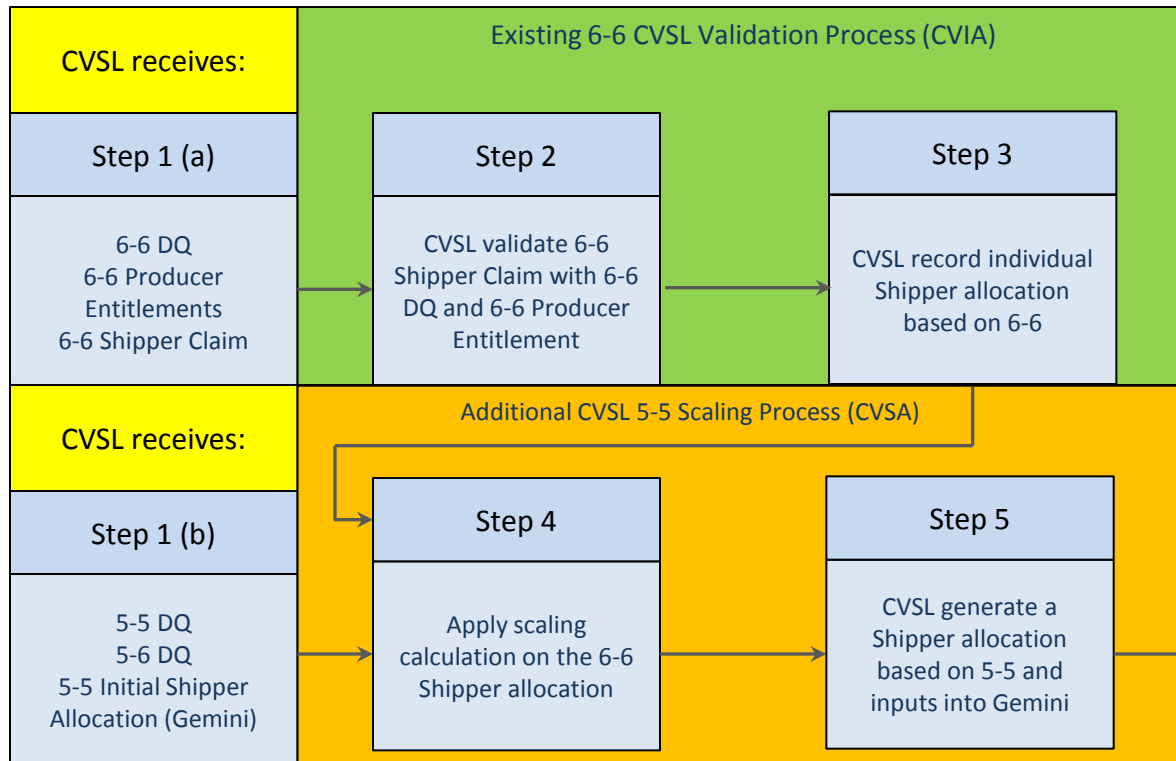
Ofgem is the Office of Gas and Electricity Markets.

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.

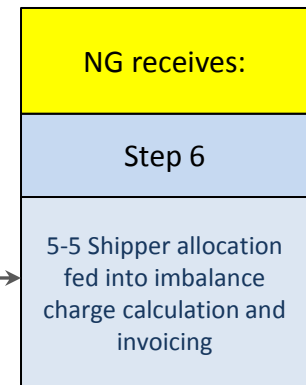
We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

Option A (for reference)

CVSL process

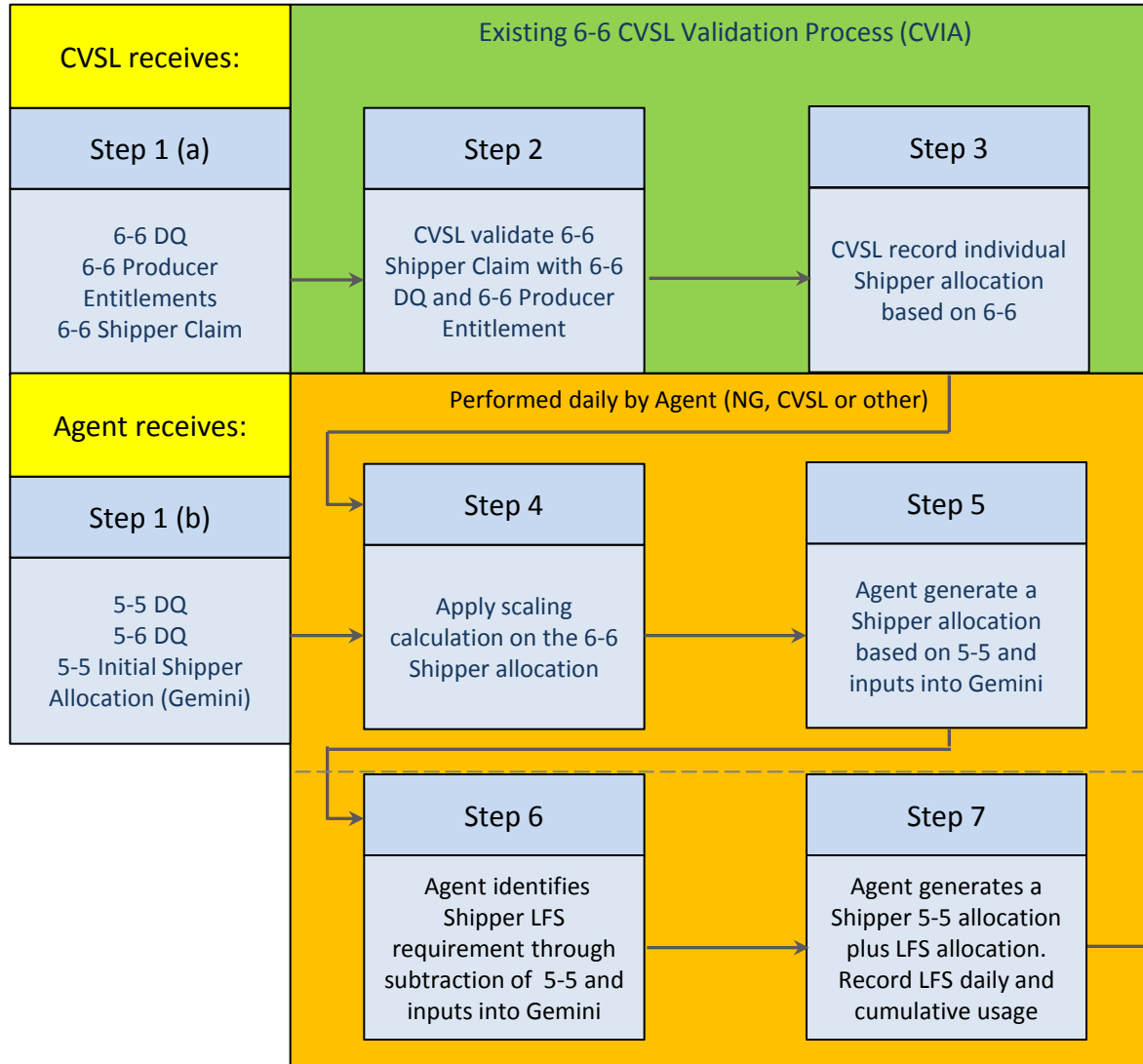


National Grid process



Option B (i)

CVSL/Agent process



National Grid process

