

DECC-Ofgem European Stakeholder Group for Gas

Wednesday 3rd June, 11:00 – 12:30

European Updates

11:00 Security of Supply Regulation Revision – DECC – 10 minutes

11:10 Energy Union Update – DECC – 10 minutes

ENC development and implementation:

11:20 Tariffs and Incremental – Ofgem/ NGG – 40 minutes

12:00 Impact Assessment on UNC0501 mod – Ofgem – 10 minutes

12:10 Interoperability – Ofgem – 10 minutes

12:20 Gas Day Update – DECC – 10 minutes

12:30 AOB

Security of Gas Supply

Next Steps

Date 03 June 2015

What next?

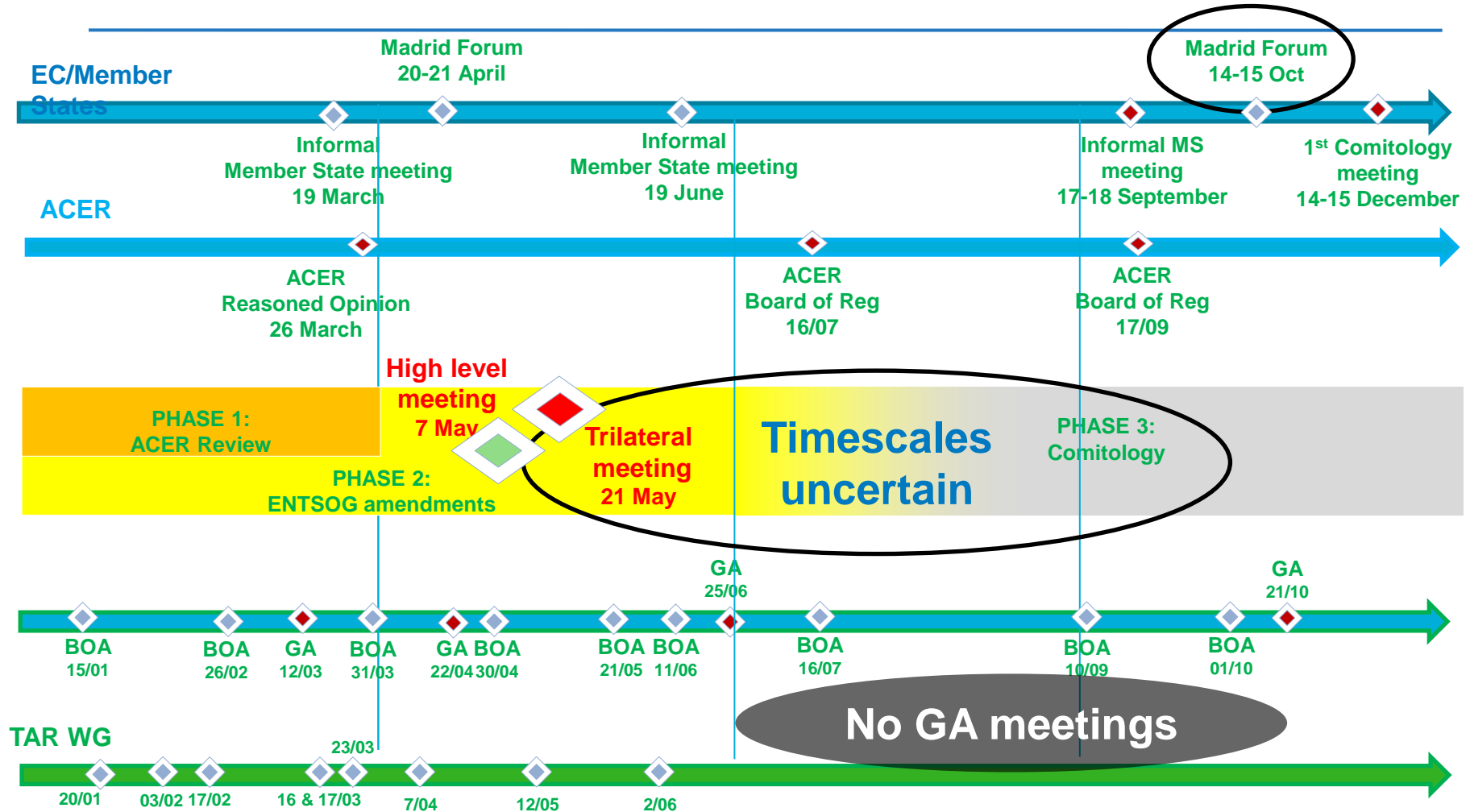
- ❑ **Publication of MSs responses to Commission SOS gas regulation consultation questions – imminent?**
- ❑ **Commission storage study – publication date not known**
 - ❖ In depth 11 MSs =78% of storage in market; also US, Japan, Australia and oil related IEA measures
 - ❖ Effectiveness and efficiency examined / costs / benefits of storage related measures under emergency conditions
 - ❖ Possible gas storage consultation also launched in June 2015 (no details)
- ❑ **LNG consultation questions – to be launched June 2015**
- ❑ **LNG and Gas storage strategy - publication November 2015**
- ❑ **Commission proposals for revision of IGA Decision Instrument – likely to be 2016**
- ❑ **Commission publication of its proposals for revision of security of gas supply regulation – November 2015**

******NEGOTIATIONS BEGIN UNDER NETHERLANDS PRESIDENCY ******

January 2016

EU Tariffs Code Update

EU Tariffs Code Timeline



EU Tariffs Code

- EU continues to put time pressure on process
 - Wish to get agreed text between ACER/ENTSOG to discuss at comitology
- 7th May: High level meetings between EC, ENTSOG and ACER agreed compromise on majority of issues re TAR NC
- 21st May: Trilateral meeting
 - Some issues identified in interpretation of HL agreement
 - Clarification sought (hence delay in developing text for these issues)

EU Tariffs Code

- 2nd June: ENTSOG Tariff WG
 - Revised draft text reviewed by ACER, EC and TSOs
 - Comments reviewed at meeting to agree requirements for final text
 - Discussed clarification questions and what that means for draft code
- 19th June: Informal Member state meeting
 - Press release expected re High Level meeting agreements and what is trying to be achieved
 - Aims to inform stakeholders to allow response at IMS meeting

EU Tariffs Code:

- ENTSOE Approval (likely timeline)
 - 1st July ENTSOE Tariff WG to agree draft text
 - 16th July Board approval
 - GA approval in August via written procedure
- ACER approval process
- **Target: Code to be complete for Informal Member States Meeting 17th - 18th September**
- Madrid Forum 14th – 15th October
- First formal comitology meeting in December

EU Tariffs Code: Issues discussed

- ***Binding tariffs*** – to be included.
- ***Fixed tariffs on existing capacity*** – must be no cross-subsidisation from fixed to floating
- ***Multipliers*** – min. of 1.0 and cap of 3.0 for daily, 1.5 for monthly / quarterly for 5 years, followed by a review
- ***Transmission and dedicated services*** – ACER to provide proposal, need a list
- ***Application of c/a/m in a multi-TSO entry/exit systems*** – exemption possible if justified
- ***Non-physical backhaul*** – to be based on interruptible pricing
- ***C/a/m*** – include counterfactual methodologies of postage stamp and CWD (remove all others). Must justify a different methodology than the counterfactual included
- ***Ex-post interruptible discount and A factor*** – to be removed
- ***Existing fixed price contracts*** – for contracts concluded before the publication of the TAR FG
- ***Storage*** – to be removed but included elsewhere (link to SoS review)
- ***Alternative capacity products*** – improved transparency and guidance on level of revenue recovered
- ***Publication requirements***: no need to publish RAB, depreciation periods, WACC parameters

Transmission and dedicated services

- Current draft definitions

- **“transmission services”** means the regulated services that are provided by the transmission system operator within the entry-exit system for the purpose of transmission
- “dedicate services” renamed “non-transmission services”
- **“non-transmission services”** means the regulated services other than transmission services that are provided by the transmission system operator and the cost of which are either not caused by the cost drivers of both capacity and distance or not related to its regulated asset base

Option to offer Fixed Tariffs

- Agreed for price cap regimes
- Agreed for incremental
 - Floating and/or fixed price allowed
- Existing capacity (in revenue cap regime)
 - Floating only

Multipliers at IPs

- No discounted pricing
 - Minimum multiplier of 1 (i.e. annual price)
- Quarterly/monthly multiplier of 1 – 1.5 of annual price
- Daily/within day multiplier of 1 – 3
 - Requirement of higher multiplier to be monitored
 - Reports after 3 years then another after 2 years
 - Will default from 3 to 1.5 if requirement not demonstrated

Reference Price Methodologies

- “Cost allocation methodologies” now renamed “reference price methodologies”
- Only “postage stamp” and “capacity weighted distance” methodologies described in code
- Other methodologies can be applied
 - To be compared with either CWD or PS
 - Methodology and comparison to be consulted upon
 - ACER to provide non binding opinion
 - NRA to approve

Alternative Transmission Tariffs

- Alternative transmission tariffs allowed
- For non-standard capacity products
 - Shorthaul, conditional firm capacity products
 - Set by applying discount to reference price

Binding Tariffs

- No change to the code required
- Outside of the code, further work to be considered on harmonisation of the tariff setting year
- Risk of harmonisation to 1st January

Grandfather Clause

- Grandfather Clause for contracts concluded before publication of TAR FG
- ‘This Regulation shall not affect the level of transmission tariffs foreseen in the contracts which are concluded **before 29 November 2013** where such contracts foresee no change of their level except for the indexation, if any.’
- Long term capacity booked after this date **shall be** impacted

Interruptible Capacity

- Ex-ante discount only:
 - **$Di_{\text{ex-ante}} = Pro \times 100\%$**
 - $Di_{\text{ex-ante}}$ is the level of ex-ante discount
 - Pro is probability of interruption
- Non-physical backhaul priced as for interruptible

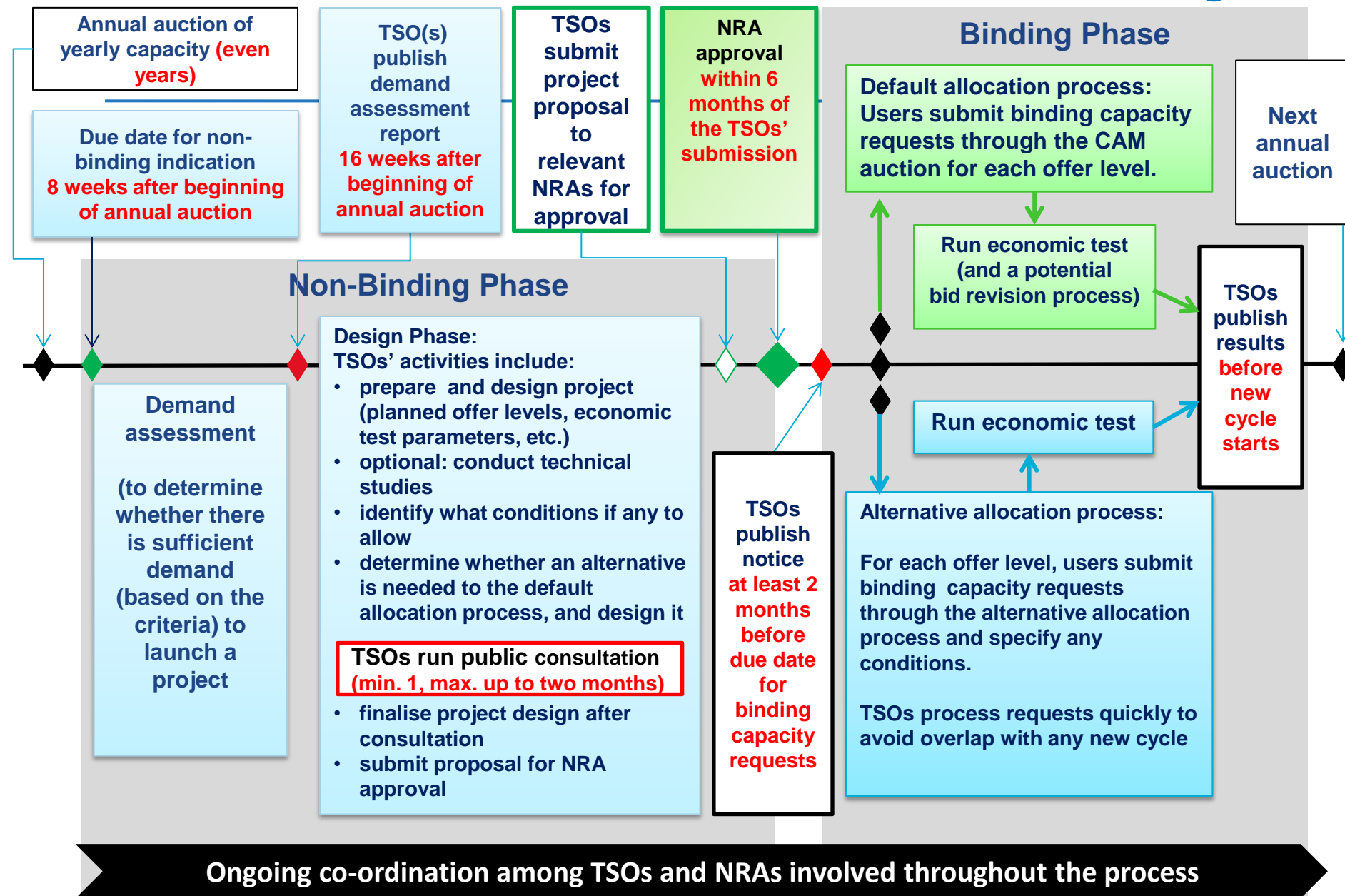
Storage

- EC requested an expanded text on storage in Tariff Code
 - Wanted explicit reference to Security of Supply
- ACER/ENTSOE of opinion that current formulation of “considering benefits” is sufficient
- Article on Storage to be removed from Tariff Code
- Storage to be dealt with separately
 - Being considered along with revision to SoS regulation but may not be included in SoS regulation

EU Incremental Amendment Update

CAM TF's New Process for Incremental Capacity Projects

nationalgrid



Incremental Amendment

- ACER has proposed streamlined version as ENTSOG proposal thought too complex and cumbersome by shippers
 - All incremental capacity projects are run as open season procedures and the CAM auction will be the default allocation mechanism.
 - The consultation is moved back, so that it is run during (not before) the design phase so stakeholders can participate and be informed of the relevant details (e.g. project design, economic test, charging, terms of access).
- ACER developing revised legal text
 - Will include other amendments to CAM to remove “inconsistencies” and change auction calendar