

EFET response to the consultation on Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas



EFET comments – 29 June 2017

EFET¹ welcomes the opportunity to comment on the Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas (IDoc). We very much welcome this initiative and commend ENTSOG on the thoroughness and quality of the draft document, which should help to ensure more harmonised and consistent implementation of the Tariff Network Code across EU Member States.

Nevertheless, there are certain aspects of the IDoc we think could be improved and clarified along with a few points where we do not share ENTSOG's interpretation. These are included in the table below. We hope that ENTSOG will see fit to accommodate our comments and include them in the final draft of the IDoc that is due to be published later this year.

Should you wish to discuss our comments in more detail please do not hesitate to contact us.

Page Number	Section	Comment
13	Amended CAM NC	Incorrect ref to Article 32(2)-(3) should be 31(2)-(3)
21	Summary	Chapters V and VI cannot be applied to non-IPs? They can apply to entry/exit points to third countries where the NRA so decides but these by their nature are IPs.
23	Figure 2	Articles applying to IPs only should also refer to Chapter VIII - Articles 31(2)-(3)
37	Table 3	CRRC can also be calculated on the basis of flows
44	Benchmarking	Benchmarking should be assumed to be and specified as an ex-post adjustment
45	Rescaling	Rescaling should be assumed to be and specified as an ex-post adjustment

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

46	Non-discrimination	Whilst the CAA tests the satisfaction of the cost reflectivity principle this is not an exclusive test of whether tariffs are non-discriminatory
55	Summary	The level of multipliers for day-ahead and within day capacity may also be <1 but >0, or >3 in duly justified cases
59	Exception: recalculation of discounts for interruptible products	The 20% probability of interruption figure which triggers a recalculation should be an absolute figure not a relative one i.e. if the probability increases from 10% to 31% (21% absolute) a recalculation should be permitted, but not if it increases from 10% to 12.5% (25% relative)
60	Exception: update of reference prices	Significant over estimations of forecasted contracted capacity and/or flows should not be valid reasons for recalculating reference prices within the tariff period in their own right. If precipitated by an exceptionally mild winter they could potentially be justified reasons, but not otherwise.
69	Ex-post approach – how to calculate discounts	Article 16(4) defines the level of compensation that must be paid to network users ex-post on each day an interruption occurred at an IP for which they have contracted interruptible capacity. Such compensation does not depend on the duration of an interruption within day and cannot be capped by any national regulation. See also our comments on Annex N below.
69	Non-physical backhaul capacity	Non-physical backhaul could equally be regarded as conditionally firm capacity and is similar to types of restrictedly usable firm capacity (Annex B). Treating non-physical backhaul as an interruptible product and pricing it accordingly neglects the fact that there will be no reference prices at unidirectional entry/exit points for capacity in the opposite direction to the physical flow.
74	Other information in the regulatory account	Other information could also include over/under recovery broken down by homogenised group of points. This would increase visibility of the extent of cross-subsidy between various classes of network user.
80	Concept of bundled capacity and bundled reserve price	Allocating bundled capacity to the same network user on both sides of an IP is an ENTSOG imposed rule, not a legal requirement.

82	Figure 25	The respective tariffs for the green and red IPs should be shown in the diagram in order to make sense of the tariff calculation on page 83.
89	Payable Price: Two Approaches	The “Responsibility” paragraph should refer to the fixed payable price approach for existing capacity under price cap regimes being subject to consultation, as the fixed payable approach is not allowed for existing capacity under a non-price cap regime. This also applies to the same paragraph on pages 91 and 93.
89	Payable Price: Two Approaches <u>and</u> Floating Payable Price	Under the floating payable price approach would the actual payable price of capacity for a gas year beyond the next one be partly known in the case of Member States with non Oct - Sept tariff periods (e.g. would the 3 months Oct 19 – Dec 19 of actual payable price be known for capacity bought in June 18 for the gas year Oct 19-Sep 20 in a Member State with a Jan - Dec tariff period). Would/could the reference price element of the Oct 19 – Dec 19 payable price be adjusted in June 19 prior to the yearly auctions?
93	Table 9	The text in the “Price cap regime” cell should read “Floating and/or fixed may be offered” as both fixed and floating can be offered.
98	Final consultation (Point 2)	To avoid any confusion it would be better to state that the consultation shall be “open” for at least two months.
99	Figure 28	It would be helpful to include a monthly x-axis on this timeline mapping the events to the 17 month estimated end-to-end duration described in the “Final consultation” paragraph on page 98.
99	Other information	We believe the IDoc should put more emphasis on the importance of NRAs/TSOs providing their consultation documents and summaries of responses in English and suggest the following text: “In order for the consultation process to be most effective it is important for the consultation documents and the summary of the consultation responses to be provided in English. Stakeholders will expect such information to be provided in English and are likely to be highly critical if it is not, so credible justification and reasoning will be needed to the extent this is not possible.”

103	General	As the consultation process under Article 28 relates to cross-border IPs and is assumed to be aligned with that under Article 26, we believe the IDoc should also emphasise the importance this consultation document being provided in English, using the suggested text above.
108	Information for publication before the annual yearly capacity auctions	Paragraph 3 says that not all of the full set of information that is required to be published under Article 29 may be published in June 2018 as Chapter III only applies from 31/5/2019. It is not clear to us why this should be the case or what missing information is being referred to. In our view, to the extent that multipliers, seasonal factors and interruptible products apply and influence the firm and interruptible reserve prices applicable during the Gas Year 2018 they should be published, along with justification and accompanying information about how they are calculated (i.e. the probability of interruption). Such reserve prices should not then change during the course of Gas Year 2018.
109	Tariff changes: trends and tariff model	The tariff model is required to be updated regularly in order to enable network users to estimate the possible evolution of tariffs beyond the existing tariff period. As such, we would expect TSOs to routinely update (at least quarterly) the tariff model with information about the extent of any under/over recovery that is being accrued in the Regulatory Account during each tariff period, as this will be a significant driver of tariff changes for the following tariff period.
111	Tariff changes: trends and tariff model	Whilst highlighting the difference in tariffs using other approaches, such as expected ranges for tariffs or percentage changes, may help to complement the TSO's reasonable estimates of future tariffs, they should not replace them. Otherwise we fear TSOs will simply resort to publishing wide ranging estimates of future tariff changes (e.g. +/- 100%), which are of little benefit to shippers.
112	Table 15	We do not find Table 15 particularly intuitive and think the second "when" column should be labelled "how". Also, in the first "when" column reference should refer to "at least 30 days" before the auctions and tariff periods.
112	Form of publication	As stated previously, we believe the IDoc should put more emphasis on the importance of NRAs/TSOs providing the information required to be published

		under Articles 29 and 30 in English and suggest adding a similar paragraph here to the one proposed above.
112	Template on TSO/NRA website	We agree that the two sets of information should be published in accordance with standard templates. These should be consistent with the consultation template ACER is drawing up (as required under Article 26.5) and be included within the IDoc, with stakeholders being allowed to comment on them prior to their use. In relation to the information required to be published in accordance with Article 30.1(b)(3), this should make it clear how TSOs' allowed revenues have been derived. Ideally, it should allow the exact computation of TSOs' allowed revenues from the input parameters decided by the NRAs. But it should at least allow shippers to understand the quantitative impact of the different parameters (WACC, amortization rules, RAB, investment incentives, inflation rates, RAB review, reconciliation period of the regulatory account etc.) on the allowed revenue.
114	Publication notice period	We think this section should include an extra paragraph regarding the provisions of Article 32(c). In particular the paragraph should give examples of what might, or might not, be considered as exceptional circumstances under which the non-adjustment of tariff levels would jeopardise the operation of the transmission system operator. For example, an imminent bankruptcy or the material credit downgrading of a TSO might be considered as an exceptional circumstance, whereas a substantial mid-year under recovery by a TSO operating in a non-price cap regime does not. Also the apparent incorrect reference to Article 12(3)(b) in the last paragraph of Article 32 should be highlighted (it should read Article 12(3)(a)).
128	General	For clarification it would be helpful for the IDoc to list those pipelines and/or IP points which qualify as interconnectors.
157	Annex A - Clustering	The section on distance calculation is in Chapter II: Reference Price Methodologies not Chapter I: General Provisions.
174	Annex E - Distance between two points	The explanatory text should make it clearer that the shortest distance between two points should always be used (A-K) despite other routes (K-O and O-A) being possible.

180	Annex E - Post-adjustment exit tariffs and revenues	Should the post-adjustment multiplicative rescaling of exit revenues/tariffs in order to take account of the 50% storage discount be applied to storage exits as well, as by doing this the discount is not exactly 50%.
205	Annex J - Article 14 - Examples of calculating reserve prices for non-yearly capacity products without seasonal factors	The example prices for quarterly, monthly and daily products should be shown in units of €/(kWh/h)/d
206	Annex K - Article 15 - Examples of calculating reserve prices for non-yearly capacity products with seasonal factors	The example prices for quarterly, monthly and daily products should be shown in units of €/(kWh/h)/d
214	Annex N – Example of within day interruption	Article 16.4 does not provide for any specific within day payment. Instead it requires TSOs to pay ex-post compensation equivalent to 3 x the reserve price for daily standard firm capacity products for each day on which an interruption occurred, regardless of the duration of a within day interruption. So only the example for daily interruption is valid.
215 & 216	Annex O - Article 29(b)(ii) – Example of the probability of interruption assessment	Whilst we appreciate that the information shown in Tables 68 and 69 is indicative and provided by way of example, we would be extremely disappointed if TSOs were to limit their explanations of the probability of interruption to the type of statements shown here. Shippers are expecting much more detailed information to be provided about what events and flows on the network may lead to an interruption being called. So statements such as “Interruption if domestic consumption is low/high” or “Interruption if counter flow is too high” are woefully insufficient. We suggest ENTSOG include more detail examples of the explanation of the probability of interruption in these tables referencing example flow levels, durations, relevant points, nominations etc.
217-219	Annex P – Example of a simplified tariff model	In its own right this screen shot of a postage stamp tariff model is of little use, so a link to a spreadsheet version of such a model should be included this Annex. Also, we believe there would be considerable merit in ENTSOG considering whether an EU generic CWD counterfactual tariff model could be developed which

		NRAs/TSOs in each Member State could use to generate the indicative reference prices they are required to publish in accordance with Article 26.1(a)(vi) in a consistent and harmonised manner.
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