

Summary of the Response to Preliminary Consultation on EU Commission Regulation 2017/460 (EU Tariff Code)

Responses were invited by: 5pm on 08 May 2019

- This consultation was issued alongside the UNC0678/A/B/C/D/E/F/G/H/I/J consultation which follows the UNC change process.
- The change proposals for GB for Transportation charging can be found here: <http://www.gasgovernance.co.uk/0678>
- There were two responses received as part of the preliminary consultation which can be found here: <https://www.nationalgridgas.com/about-us/eu-network-codes-implementation> (please select “Closed Consultation” from the menu options)
- Data that supported this preliminary consultation is available here: <https://www.nationalgridgas.com/about-us/eu-network-codes-implementation> (please select “Closed Consultation” from the menu options)

Summary of comments on the proposals presented for the GB Charging Arrangements (shown under UNC0678/A/B/C/D/E/F/G/H/I/J)

One response stated that it was not clear that all proposals were compliant with EU 2017/460:

- They believe that UNC 0678, 0678A, 0678C and 0678E are compliant
- UNC 0678F isn't as the capacity surrender is not necessary nor an integral part of the EU Tariff Code
- UNC 0678D, 0678G, 0678H, 0678I and 0678J all propose to include a capacity based Optional Charge that appears to be offering the same service at a different price
- UNC 0678I proposes a “security of supply” discount for Ireland under Article 9 which seems to be at odds with the fact that this has never been a topic for discussion at the NCTAR implementation discussions (NTLG) in Ireland.

One response stated:

- They support UNC 0678F as it includes a capacity surrender process for the parties who acquired capacity in the two 2018 Quarterly System Entry Capacity (QSEC) auctions, which would mean the affected parties could either accept the new prices or withdraw from the contracted commitments.
- They partially support UNC 0678C and 00678E
- They oppose UNC 0678, 0678A, 0678B, 0678D, 0678G, 0678H, 0678I, 0678J, as they feel they do not reflect the benefits the storage facilities provide to the industry and the network.

One response states:

- As the timetable has unfortunately been subject to delay and so implementation by 1 October 2019 seems to be at risk. We would very much support a compliant methodology effective from 1 October 2019 but if this proves to be impossible strongly recommend that the current Optional Commodity Charge (OCC) which has been deemed to be non-compliant be removed with effect from 1 October 2019 and that the remaining methodology changes are implemented as soon as possible thereafter.

Summary of the comments on the content of this consultation, supporting documents and any comments specific to Article 26 or 27

One respondent states:

- It believes that there has not been significant analysis and investigation of the impacts of these proposals carried out, or justification of the changes are being proposed. There has been little investigation into the impacts of changes at individual connection points, and the likely secondary impacts on the industry and end consumer.
- It recommends that a full independent impact assessment, modelling, and analysis of all options is carried out prior to any changes being decided.

One respondent states:

- National Grid has provided a spreadsheet with illustrative tariffs under the proposed 11 Alternatives. There are two sets of figures provided but there is no explanation as to which of these would be most representative of the final charges under the proposal. For those who have been involved in the process the figures may be more meaningful but they are likely to cause confusion for other stakeholders.
- A model has been provided to stakeholders which facilitates sensitivity analysis of some of the proposals but this is not possible for all of the proposals. We accept this is for a number of reasons but lack of transparency surrounding the Optional Charge in particular does not make this an easy task.
- We are not convinced that the cost allocation test has been appropriately calculated. In any case, the resulting numbers have not been clearly explained. The cost allocation test results show varying numbers but there is no explanation as to why the values are never the less acceptable. We are not convinced that the assumptions for the counterfactual are appropriate.

Summary of any specific comments or observations you wish to highlight to help facilitate updates in preparing the final consultation as outlined in the EU Tariff Code

One respondent states:

- Higher Costs for Storage Facilities
 - All of the current modification proposals go far beyond both current and proposed requirements needed to meet EU and ACER legislation. The proposer believes that an option solely meeting the minimum requirements of EU TAR should be considered and assessed against current proposals.

- All of the current modification proposals will see the costs for storage facilities increase significantly, with some proposals making it difficult for storage operations to remain viable.
- Revenue Recovery Charges
 - All of the current modification proposals allow existing storage contracts to be exempt from revenue recovery charges. However, with most of these proposals this exemption is lost if the capacity is traded.
 - At present only UNC 0678C, 0678E, 0678F provide storage facilities with full exemption from revenue recovery charges for existing contracts, and these three modifications provide exemption for storage for all (existing and new) contracts.
- Move to Floating Prices for Historic Capacity Agreements
 - Only capacity contracts agreed prior to April 2017 will receive this protection, and have their historically agreed prices honoured. For the proposed UNC 0678 (apart from UNC 0678F), all capacity contracts agreed between April 2017 and the Effective Date will move to floating prices and be charged under the prices calculated for the new methodology.
 - UNC 0678F proposes to introduce a capacity surrender process for the affected contracts.
- Move to Short-term Capacity Booking
 - To minimise costs storage facilities will look to purchase capacity short-term to better match needs, rather than buying capacity long-term in bulk to ensure that it is available whenever needed.
 - In addition to the impacts on storage operation, the movement towards short-term capacity booking will also generate the need for new upgrades and expenditure on IT systems.

ACER Comments

- National Grid invited comments and views from ACER on the preliminary consultation. National Grid received confirmation from ACER that they are only expected to provide a response on the final consultation and that no comments or observations would be given on the preliminary consultation and the options to National Grid.
- Therefore, there are no ACER views are included in this report. As they have highlighted ACER would be expected to offer observations in line with the EU Tariff Code on any final consultation when this takes place.

Contact:

If there are any questions on the content of this document, you can email: box.transmissioncapacityandcharging@nationalgrid.com or you can contact us directly:

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Appendix 1: Relevant information to this preliminary ACER Consultation

Background information

This consultation is being issued in line with Article 26 of the EU Tariff Code and the Ofgem direction dated 10 April 2019

(https://www.ofgem.gov.uk/system/files/docs/2019/04/decision_letter_unc678.pdf)

This consultation is a preliminary consultation and is being issued alongside the UNC consultation on the GB Charging proposals being considered under UNC0678A/B/C/D/E/F/G/H/I/J. It is being run in parallel to the UNC consultation.

The final consultation required under Article 26 of the EU Tariff Code will be issued by Ofgem.

EU Tariff Code

EU Commission Regulation 2017/460 (EU Tariff Code) <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R0460&from=EN>

Draft ACER Consultation Template

A populated version of this is attached to the notice of this consultation.

UNC0678 and Alternative modification links:

<http://www.gasgovernance.co.uk/0678> - Main page for modifications including the workgroup report Part I and 11 (eleven) Part II documents.

Part I document: Comparing the alternative modifications.

Part II documents: Document specific to each proposal

Analysis and reference material

Any relevant analysis or material has been referenced or summarised in the draft ACER Consultation Template.