

## Response to preliminary consultation on EU Commission Regulation 2017/460 (EU Tariff Code)

Responses invited by: 5pm on 08 May 2019

To: [box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com)

### Please note:

- Any responses should be sent to the Joint Office of Gas Transporters. These will be forwarded to National Grid and will not form part of the UNC Consultation for UNC0678A/B/C/D/E/F/G/H/I/J
- Any non-confidential responses will feed into a report to be published within one month of the consultation ending.
- This does not form the final consultation referred to in the EU Tariff Code.
- If you have any questions on this consultation or supporting material, please contact National Grid  
[box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com)
- Appendix 1 provides background material relevant to this consultation.
- Appendix 2 provides a template to help structure any comments on specific items on Articles 26 and 27

### This consultation and UNC0678A/B/C/D/E/F/G/H/I/J:

- This consultation uses the UNC consultation on the GB charging changes as the main material that should be referred to when considering the comparison between the alternative options being proposed.
- The GB consultation process for changes follow the UNC change process. The change proposals for GB for Transportation charging can be found here: <http://www.gasgovernance.co.uk/0678>

<b>Representative:</b>	Henk Kreuze
<b>Organisation:</b>	Vermilion Energy Ireland Limited
<b>Date of Representation:</b>	8 May 2019

### Comments on the proposals presented for the GB Charging Arrangements (shown under UNC0678A/B/C/D/E/F/G/H/I/J)

1. It is not clear that all the proposals are compliant with EU 2017/460

- Vermilion believes that either the CWD methodology or the Postage Stamp methodology would be compliant with EU 2017/460. For this reason supports the proposals in Modification 0678, 0678A, 0678C and 0678E. There are some differences between these proposals but in essence they should all meet with the substantive requirements of the EU 2017/460 as requested in Ofgem's decision letter on Modification 0621<sup>1</sup>. We accept that it is entirely possible and consistent that future additional change may be necessary and desirable to refine specific elements.
- Vermilion notes that Proposal 0678F is similar to Modification 0678E but differs in respect of a potential capacity surrender. Capacity surrenders are neither a necessary nor an integral element of the EU Tariff Code and may be better addressed as a separate element.
- However, Vermilion does not believe that Alternative Proposals - 0678B, 0678D, 0678G, 0678H, 0678I and 0678J can be considered compliant with EU 2017/460 since they all propose to include a capacity based Optional Charge that appears to be offering the same service at a different price. Vermilion does not believe this would be compliant. It is also notable that proposal 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.

## 2. Will compliance be achieved in a timely manner?

- Modification 0678 and its Alternatives has been raised following Ofgem's decision on the previous Modification (Modification 0621) with the aim of achieving compliance with EU 2017/460 by 1 October 2019. 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 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.

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

Two tables are provided in Appendix 2 of this template to help structure any comments on specific items on Articles 26 and 27.

Any additional comments can also be provided here.

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<sup>1</sup> Ofgem decision on Mod 0621: <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2018-12/Ofgem%20Decision%20Letter%200621.pdf>

**Please provide below 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**

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. It is therefore not possible to completely replicate the numbers provided. 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.

## 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](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.

## Appendix 2: Tables for comments on Articles 26 and 27 of the EU Tariff Code

### Template to help structure responses on Articles 26 and 27

Section of Article 26	Comments
<p>1. One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:</p> <p>(a) the description of the proposed reference price methodology as well as the following items:</p> <p>(i) the indicative information set out in Article 30(1)(a), including:</p> <p style="padding-left: 40px;">(1) the justification of the parameters used that are related to the technical characteristics of the system;</p> <p style="padding-left: 40px;">(2) the corresponding information on the respective values of such parameters and the assumptions applied.</p> <p>(ii) the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;</p> <p>(iii) the indicative reference prices subject to consultation;</p> <p>(iv) the results, the components and the details of these components for the cost allocation assessments set out in Article 5;</p> <p>(v) the assessment of the proposed reference price methodology in accordance with Article 7;</p> <p>(vi) where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii);</p>	<p>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.</p> <p>We are not convinced that the assumptions for the counter factual are appropriate.</p>
<p>(b) the indicative information set out in Article 30(1)(b)(i), (iv), (v);</p>	
<p>(c) the following information on transmission and non-transmission tariffs:</p>	

<p>(i) where commodity-based transmission tariffs referred to in Article 4(3) are proposed:</p> <ul style="list-style-type: none"> <li>(1) the manner in which they are set;</li> <li>(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;</li> <li>(3) the indicative commodity-based transmission tariffs;</li> </ul> <p>(ii) where non-transmission services provided to network users are proposed:</p> <ul style="list-style-type: none"> <li>(1) the non-transmission service tariff methodology therefor;</li> <li>(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;</li> <li>(3) the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);</li> <li>(4) the indicative non-transmission tariffs for non-transmission services provided to network users;</li> </ul>	
<p>(d) the indicative information set out in Article 30(2);</p>	
<p>(e) where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity:</p> <ul style="list-style-type: none"> <li>(i) the proposed index;</li> <li>(ii) the proposed calculation and how the revenue derived from the risk premium is used;</li> <li>(iii) at which interconnection point(s) and for which tariff period(s) such approach is proposed;</li> <li>(iv) the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.</li> </ul>	
<p>2. The final consultation prior to the decision referred to in Article 27(4) shall be open for at least two months. Consultation documents for any of the consultations referred to in paragraph 1 may require that replies submitted in response to the consultation shall include a non-confidential version suitable for publication.</p>	
<p>3. Within one month following the end of the consultation, the transmission system operator(s) or</p>	

the national regulatory authority, depending on the entity that publishes the consultation document referred to in paragraph 1, shall publish the consultation responses received and their summary. To the extent possible and in order to render more effective the consultation process, the summary should be provided in the English language.	
4. The subsequent periodic consultations shall be conducted in accordance with Article 27(5).	
5. After consulting the European Network of Transmission System Operators for Gas (hereinafter 'ENTSOG'), the Agency shall develop a template for the consultation document referred to in paragraph 1. The template shall be made available to national regulatory authorities and transmission system operators before 5 July 2017.	

Section of Article 27	Comments
1. Upon launching the final consultation pursuant to Article 26 prior to the decision referred to in Article 27(4), the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority, shall forward the consultation documents to the Agency.	
<p>2. The Agency shall analyse the following aspects of the consultation document:</p> <p>(a) whether all the information referred to in Article 26(1) has been published;</p> <p>(b) whether the elements consulted on in accordance with Article 26 comply with the following requirements:</p> <p style="padding-left: 40px;">(1) whether the proposed reference price methodology complies with the requirements set out in Article 7;</p> <p style="padding-left: 40px;">(2) whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met;</p> <p style="padding-left: 40px;">(3) whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.</p>	
3. Within two months following the end of the consultation referred to in paragraph 1, the Agency shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document,	

<p>and the Commission the conclusion of its analysis in accordance with paragraph 2 in English.</p>	
<p>4. Within five months following the end of the final consultation, the national regulatory authority, acting in accordance with Article 41(6)(a) of Directive 2009/73/EC, shall take and publish a motivated decision on all items set out in Article 26(1). Upon publication, the national regulatory authority shall send to the Agency and the Commission its decision.</p>	
<p>5. The procedure consisting of the final consultation on the reference price methodology in accordance with Article 26, the decision by the national regulatory authority in accordance with paragraph 4, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII may be initiated as from the entry into force of this Regulation and shall be concluded no later than 31 May 2019. The requirements set out in Chapters II, III and IV shall be taken into account in this procedure. The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2019.</p>	