

Views of the Proposer of 0678I on Compliance with COMMISSION REGULATION (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

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EU TAR NC GUIDING PRINCIPLES

Whereas 1. [...]Objectives of contributing to market integration, enhancing security of supply and promoting the interconnection between gas networks.

The Mod 0678I meet the objectives to contributing to market integration by promoting interconnection between gas networks by facilitating a discount to enhance the security of supply of RoI, NI and the Isle of Man¹.

Whereas 5. In order to promote security of supply, the granting of discounts should be considered for entry points from LNG facilities, and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems

Mod 0678I proposed to levy a discount at the Moffat IP exit point in question in line with Article 9 which connects directly to the Moffat Interconnector operated by GNI. It's eligibility as infrastructure ending isolation is discussed further under Article 9

Whereas 6. Transmission system operators in certain entry-exit systems transport significantly more gas into other systems than for consumption into their own entry-exit system. Consequently, reference price methodologies should include safeguards required to shelter such captive customers from risks related to large transit flows.

The Moffat IP is the marginal source of supply for RoI, NI and IoM. The absence of a mechanism to consider this, will result in higher charges being levied on marginal supplies which will have a significant impact on the Irish wholesale gas prices for these customers and therefore customer welfare. The Irish Balancing Point (IBP) is a function of the NBP and the cost of transportation, henceforth a discount is required to minimise the impact on marginal supplies.

Article 4. Transmission and non-transmission services and tariffs

1.A given service shall be considered a transmission services where both of the following criteria are met:

(a) the costs of such service are caused by the cost drivers of both technical or forecasted contracted capacity and distance;

(b) the costs of such service are related to the investment in and operation of the infrastructure which is part of the regulated asset base for the provision of transmission services.

Where any of the criteria set out in points (a) and (b) are not complied with, a given service may be attributed to either transmission or non-transmission services subject to the findings of the periodic consultation by the transmission system operator(s) or the national regulatory authority and decision by the national regulatory authority, as set out in Articles 26 and 27.

The identification of costs to be allocated to Transmission Services is consistent with Modification 0678. Transmission Services charges are generally those that are described as Transmission Owner charges under the current charging methodology.

Art 4.1 goes on to say that if both Art 4.1a and 4.1b not complied with in a given service, it may exist nonetheless as long as it's supported by the findings under the periodic consultations required under Article 26 and Article 27. Therefore it's clear this clause is designed to allow flexibility in providing products that facilitate the overarching principles of NC TAR with justification from the consultations (lead by the TSO or Ofgem).

¹ The Isle of Man is a British Crown Dependency. Although the Isle of Man Is not part of the UK, the UK must consider knock on consequences of policy decisions for Crow Dependencies

2. Transmission tariffs may be set in a manner as to take into account the conditions for firm capacity products.

All Transmission Services charges are capacity-based and are derived from a single Reference Price Methodology.

The proposal introduces two conditional capacity products.

- 1) The Wheeling charge which is available to shippers on the condition that they are transporting gas from one entry point to an exit point across zero distance as set out by National Grid in the FCC methodology. The Wheeling charge will continue to attract gas to the GB market, which will benefit market liquidity, security of supply, facilitate flows across Interconnection Points and help avoid the inefficient bypass of the NTS.
- 2) The Ireland Security Discount is levied at Moffat IP exit as permitted under Article 9, additionally, the product is conditional on delivery of gas from UK beach terminal entry points to the explicitly defined Moffat IP exit point, via the Supply Point Administration Process.

3. The transmission services revenue shall be recovered by capacity-based transmission tariffs.

All Transmission Services revenue will be recovered by capacity charges.

As an exception, subject to the approval of the national regulatory authority, a part of the transmission services revenue may be recovered only by the following commodity-based transmission tariffs which are set separately from each other:

(a) a flow-based charge, which shall comply with all of the following criteria:

- (i) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;
- (ii) calculated on the basis of forecasted or historical flows, or both, and set in such a way that it is the same at all entry points and the same at all exit points;
- (iii) expressed in monetary terms or in kind.

(b) a complementary revenue recovery charge, which shall comply with all of the following criteria:

- (i) levied for the purpose of managing revenue under- and over-recovery;
- (ii) calculated on the basis of forecasted or historical capacity allocations and flows, or both;
- (iii) applied at points other than interconnection points;
- (iv) applied after the national regulatory authority has made an assessment of its cost-reflectivity and its impact on cross-subsidisation between interconnection points and points other than interconnection points.

4. The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given non- transmission service. Such tariffs shall be as follows:

(a) cost-reflective, non-discriminatory, objective and transparent;

(b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both. Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.



Non-Transmission Services charges are to be levied in a manner consistent with the current method for the recovery of System Operator costs. Some costs will be in the form of specific service charges; the remainder will be recovered via a postalised commodity charge on all entry and exit gas flows (excluding storage facility flows).

Article 5. Cost allocation assessments

1. The national regulatory authority or the transmission system operator, as decided by the national regulatory authority, shall perform the following assessments and shall publish them as part of the final consultation referred to in Article 26:

(a) a cost allocation assessment relating to the transmission services revenue to be recovered by capacity-based transmission tariffs and based exclusively on the cost drivers of

(i) technical capacity; or

(ii) forecasted contracted capacity; or

(iii) technical capacity and distance; or

(iv) forecasted contracted capacity and distance;

(b) a cost allocation assessment relating to the transmission services revenue to be recovered by commodity-based transmission tariffs, if any, and based exclusively on the cost drivers of:

(i) the amount of gas flows; or

(ii) the amount of gas flows and distance.

2. The cost allocation assessments shall indicate the degree of cross-subsidisation between intra-system and cross- system network use based on the proposed reference price methodology.

3. The cost allocation assessment referred to in paragraph 1(a) shall be carried out as follows:

(a) the transmission services capacity revenue to be obtained from intra-system network use at both all entry points and all exit points shall be divided by the value of the relevant capacity cost driver(s) for intra-system network use in order to calculate the intra-system capacity ratio, which is defined as a monetary unit per measurement unit, such as in euro per MWh/day, in accordance with the following formula:

[Formula]

Where:

(b) the transmission services capacity revenue to be obtained from cross-system network use at both all entry points and all exit points shall be divided by the value of the relevant capacity cost driver(s) for cross-system network use in order to calculate the cross-system capacity ratio, which is defined as a monetary unit per measurement unit, such as in euro per MWh/day, in accordance with the following formula:

[Formula]

(c) the capacity cost allocation comparison index between the ratios referred to in points (a) and (b), which is defined in percentage, shall be calculated in accordance with the following formula:

[Formula]

4. The cost allocation assessment referred to in paragraph 1(b) shall be carried out as follows:

(a) the transmission services commodity revenue to be obtained from intra-system network use at both all entry points and all exit points shall be divided by the value of the relevant

commodity cost driver(s) for intra-system network use in order to calculate the intra-system commodity ratio, which is defined as a monetary unit per measurement unit, such as in euro per MWh, in accordance with the following formula:

[Formula]

(b) the transmission services commodity revenue to be obtained from cross-system network use at both all entry points and all exit points shall be divided by the value of the relevant commodity cost driver(s) for cross-system network use in order to calculate the cross-system commodity ratio, which is defined as a monetary unit per measurement unit, such as in euro per MWh, in accordance with the following formula:

[Formula]

(c) the commodity cost allocation comparison index between the ratios referred to in points (a) and (b), which is defined in percentage, shall be calculated in accordance with the following formula:

[Formula]

5. The transmission services revenue to be obtained from intra-system network use at entry points referred to in paragraphs 3(a) and 4(a) shall be calculated as follows:

(a) the amount of allocated capacity or, respectively, flows attributed to the provision of transmission services for cross-system network use at all entry points shall be deemed equal to the amount of capacity or, respectively, flows attributed to the provision of transmission services for cross-system network use at all exit points;

(b) the capacity and, respectively, flows, determined as set out in point (a) of this paragraph shall be used to calculate the transmission services revenue to be obtained from cross-system network use at entry points;

(c) the difference between the overall transmission services revenue to be obtained at entry points and the resulting value referred to in point (b) of this paragraph shall be equal to the transmission services revenue to be obtained from intra-system network use at entry points.

6. Where distance is used as a cost driver in combination with technical or forecasted contracted capacity or flows, the capacity weighted average distance or, respectively, commodity weighted average distance shall be used. Where the results of the capacity, or respectively commodity cost allocation comparison indexes referred to in paragraph 3(c) or, respectively paragraph 4(c), exceed 10 percent, the national regulatory authority shall provide the justification for such results in the decision referred to in Article 27(4).

The detailed information used for setting charges will enable the relevant cost assessments to be carried out and judged by the National Regulatory Authority. It is to be expected that National Grid will make available to the NRA all necessary data to facilitate compliance with this Article. This could include detail relevant to Existing Capacity Contracts that are afforded price protection under Article 35 of this code, enabling assessments to either include or exclude Existing capacities and revenues if considered appropriate.

Article 6. Reference price methodology application

1.The reference price methodology shall be set or approved by the national regulatory authority as set out in Article 27. The reference price methodology to be applied shall be subject to the findings of the periodic consultations carried out in accordance with Article 26 by the transmission system operator(s) or the national regulatory authority, as decided by the national regulatory authority.

Implementation Of Modification 0678I will be subject to a decision made by the National Regulatory Authority.

2.The application of the reference price methodology shall provide a reference price.

Reference prices will be generated by the proposed Reference Price Methodology.

3.The same reference price methodology shall be applied to all entry and exit points in a given entry-exit system subject to the exceptions set out in Articles 10 and 11.

The same Reference Price Methodology for setting charges, including Optional Capacity Charges, will apply to all entry and exit points.

4.Adjustments to the application of the reference price methodology to all entry and exit points may only be made in accordance with Article 9 or as a result of one or more of the following:

(a) benchmarking by the national regulatory authority, whereby reference prices at a given entry or exit point are adjusted so that the resulting values meet the competitive level of reference prices;

(b) equalisation by the transmission system operator(s) or the national regulatory authority, as decided by the national regulatory authority, whereby the same reference price is applied to some or all points within a homogeneous group of points;

Equalisation at IPs is not proposed as this modification provides for compliant capacity based transmission services available at all other interconnection points, namely, Wheeling is proposed for zero distance routes and will be applicable at Bacton. The availability of Wheeling at Bacton IP and a discount at the Moffat IP Exit (for qualifying physical beach terminal volumes) leads to equitable treatment for all GB interconnection points.

(c) rescaling by the transmission system operator(s) or the national regulatory authority, as decided by the national regulatory authority, whereby the reference prices at all entry or all exit points, or both, are adjusted either by multiplying their values by a constant or by adding to or subtracting from their values a constant.

Any rescaling of charges will be done by multiplying their values by a constant with the aim of setting charges to recover National Grid's full allowed revenue. Rescaling will take into consideration any estimated revenue over or under-recovery as a result of the application of specific discounts or multipliers for firm capacity products.

Article 7. Choice of a reference price methodology

The reference price methodology shall comply with Article 13 of Regulation (EC) No 715/2009 and with the following requirements.

It [the Reference Price Methodology] shall aim at:

(a) enabling network users to reproduce the calculation of reference prices and their accurate forecast;

The Reference Price Methodology for setting Transmission Services Charges is deterministic and with the availability of key data inputs, e.g. allowed revenue, Forecasted Contracted Capacities and network distances, the prices can be readily reproduced. For Non-Transmission Services, either bespoke or postalised charges are set as they are under the current methodology.

(b) taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;

The Capacity Weighted Distance basis for setting Transmission Services Charges naturally includes network distance as a cost-driver. The investment made in transporting gas should be intuitively correlated with the price to be paid for transporting gas and distance is a key factor not only for investment already made by National Grid but also for capital costs associated with maintenance, mains replacement and new gas compression.

(c) ensuring non-discrimination and prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5;

The Capacity Weighted Distance methodology is cost reflective, considering the topology of the GB network and therefore minimises cross-subsidisation.

(d) ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;

(e) ensuring that the resulting reference prices do not distort cross-border trade.

Non-standard transmission services such as Wheeling and the Ireland Capacity Discount ensure that this objective is met in avoiding distortion to cross-border trade, therefore the methodology meets compliance with this objective.

Article 8. Capacity weighted distance reference price methodology

1. The parameters for the capacity weighted distance reference price methodology shall be as follows:

- (a) the part of the transmission services revenue to be recovered from capacity-based transmission tariffs;**
- (b) the forecasted contracted capacity at each entry point or a cluster of entry points and at each exit point or a cluster of exit points;**
- (c) where entry points and exit points can be combined in a relevant flow scenario, the shortest distance of the pipeline routes between an entry point or a cluster of entry points and an exit point or a cluster of exit points;**
- (d) the combinations of entry points and exit points, where some entry points and some exit points can be combined in a relevant flow scenario;**
- (e) the entry-exit split referred to in Article 30(1)(b)(v)(2) shall be 50/50. Where entry points and exit points cannot be combined in a flow scenario, this combination of entry and exit points shall not be taken into account.**

2. The reference prices shall be derived in the following sequential steps:

(a) the weighted average distance for each entry point or each cluster of entry points and for each exit point or each cluster of exit points shall be calculated, taking into account, where relevant, the combinations referred to in paragraph 1(d), in accordance with the following respective formulas:

(i) for an entry point or cluster of entry points, as the sum of the products of capacity at each exit point or cluster of exit points and the distance from this entry point or cluster of entry points to each exit point or cluster of exit points, divided by the sum of capacities at each exit point or cluster of exit points:

[Formula]

(ii) for an exit point or cluster of exit points, as the sum of the products of capacity at each entry point or cluster of entry points and the distance to this exit point or cluster of exit points from each entry point or cluster of entry points, divided by the sum of capacities at each entry point or cluster of entry points:

[Formula]

(b) the weight of cost for each entry point or each cluster of entry points and for each exit point or each cluster of exit points shall be calculated in accordance with the following respective formulas:

[Formula]

(c) the part of the transmission services revenue to be recovered from capacity-based transmission tariffs at all entry points and the part of the transmission services revenue to be recovered from capacity-based transmission tariffs at all exit points shall be identified by applying the entry-exit split;

(d) the part of the transmission services revenue to be recovered from capacity-based transmission tariffs at each entry point or each cluster of entry points and for each exit point or each cluster of exit points shall be calculated in accordance with the following respective formulas:

[Formula]

(e) the resulting values referred to in point (d) shall be divided by the forecasted contracted capacity at each entry point or each cluster of entry points and at each exit point or each cluster of exit points in accordance with the following respective formulas:

[Formula]

The capacity weighted distance methodology employed by this Modification 0678I is the same as for National Grid's 0678 Modification. The requirements set out this Article 8 are complied with.

Article 9. Adjustments of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation

1. A discount of at least 50 % shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.

A discount of 50% is proposed in respect of Storage Facilities.

2. At entry points from LNG facilities, and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems, a discount may be applied to the respective capacity-based transmission tariffs for the purposes of increasing security of supply.

No discount is proposed for LNG Facilities. A discount is proposed in respect of the Moffat IP Exit point. This is an exit point to infrastructure that was developed for the purpose of ending the isolation of Ireland.

NC TAR states that discounts can be applied to entry points from and entry points to infrastructure ending the isolation of Member States in respect of their gas transmission systems [...].

The Moffat IP resides on the GB side of the Moffat Interconnector situated at the flange of the National Grid exit point where the GNI operated Moffat interconnector begins, therefore this is a qualifying *exit point* as required by the criteria above.

In addition to copious sources already outlined in the modification clearly denoting that the Moffat interconnector is infrastructure that has the purpose of ending isolation of Ireland in respect of its gas transmission system.

As mentioned within the mod proposal:

On 23 February 1993, the Minister for Tourism, Energy and Communication presented the Second Stage of the Gas (Amendment) Bill 1993, to enable the Moffat interconnector's construction. In the Dáil Éireann debate, the minister said in his address "The existence of the [Moffat] interconnector will see the end of Ireland's isolation as a stand-alone grid, dependent on a single supply pipeline and a single source."²

The existing status of the Moffat Interconnector as the marginal source of gas supply is highlighted by Gas Networks Ireland (GNI) in their TAR NC proposal *"Irish wholesale gas prices are set by the GB price of gas plus the cost of transporting gas from GB to Ireland via the interconnectors, as GB gas is the marginal source of gas supply to Ireland. The National Balancing Point, commonly referred to as the NBP, is the virtual trading location for GB natural gas. Therefore, the cost of gas at the NBP plus the cost of transportation to Ireland strongly influences the price at the Irish Balancing Point (IBP), i.e. the cost of wholesale gas in Ireland."*

² <https://www.oireachtas.ie/en/debates/debate/dail/1993-02-23/21/>

It goes on to state; *“Ireland’s dependence on imports from Great Britain (GB) is increasing once again as production declines at the Corrib gas field, and this trend will continue unless new sources of indigenous supply are brought on stream.”* Therefore, defining the Moffat Interconnector as infrastructure that ends the isolation of Ireland in respect of its gas transmission system.

Article 9(2) *allows* discounts for LNG regasification points and infrastructure aiming at removing gas supply isolation it is not an obligation. The application of a discount at the respective points is at the discretion of the NRA.

Additionally there is no timing factor set out in Article 9 i.e. a discount is not just valid at the time isolation is ended (prior to, enabling the construction of the Moffatt interconnector) but can be ongoing to ensure that Ireland continues to receive gas supplies (at reasonable prices) to reflect its dependency, particularly as it remains at risk of isolation. There is substantial evidence, both recent and historical, illustrating the primary purpose of the Moffat Interconnector as a marginal source of supply.

The spirit of NC TAR seeks to harmonise transmission structure in order to facilitate security of supply and cross border trade. We also draw attention to the requirement under Article 28 to consult all directly connected member states.

Article 12. General provisions

1. For yearly standard capacity products for firm capacity, the reference prices shall be used as reserve prices. For non-yearly standard capacity products for firm capacity, the reserve prices shall be calculated as set out in this Chapter. For both yearly and non-yearly standard capacity products for interruptible capacity, the reserve prices shall be calculated as set out in this Chapter. The level of multipliers and of seasonal factors, set out in accordance with Article 13, and the level of discounts for the standard capacity products for interruptible capacity, set out in accordance with Article 16, may be different at interconnection points.

2. Where the tariff period and gas year do not coincide, separate reserve prices may be applied respectively: (a) for the time period from 1 October to the end of the prevailing tariff period; and (b) for the time period from the beginning of the tariff period following the prevailing tariff period to 30 September

The Modification recommends that charges be applied for a 1 October 2020 start date, specifically a 1 October start date. Implementation of the Modification would take place prior to this target date.

3. The respective reserve prices published according to Article 29 shall be binding for the subsequent gas year or beyond the subsequent gas year in case of fixed payable price, beginning after the annual yearly capacity auction, unless:

(a) the discounts for monthly and daily standard capacity products for interruptible capacity are recalculated within the tariff period if the probability of interruption referred to in Article 16 changes by more than twenty percent;

(b) the reference price is recalculated within the tariff period due to exceptional circumstances under which the non- adjustment of tariff levels would jeopardise the operation of the transmission system operator.

Prices for capacity will be set so as to apply for the duration of a Gas Year.

Article 13. Level of multipliers and seasonal factors

1.The level of multipliers shall fall within the following ranges:

(a) for quarterly standard capacity products and for monthly standard capacity products, the level of the respective multiplier shall be no less than 1 and no more than 1,5;

(b) for daily standard capacity products and for within-day standard capacity products, the level of the respective multiplier shall be no less than 1 and no more than 3. In duly justified cases, the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3.

2.Where seasonal factors are applied, the arithmetic mean over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factors shall be within the same range as for the level of the respective multipliers set out in paragraph 1.

Multipliers will be set at a level of "1" for all standard firm capacity products.

Article 14. Calculation of reserve prices for non-yearly standard capacity products for firm capacity in absence of seasonal factors

The reserve prices for non-yearly standard capacity products for firm capacity shall be calculated as follows:

(a) for quarterly standard capacity products, for monthly standard capacity products and for daily standard capacity products, in accordance with the following formula:

[Formula]

(b) for within-day standard capacity products, in accordance with the following formula:

[Formula]

Reserve prices will be calculated in accordance with this Article. Charges will be applied on a daily basis.

Article 15 Calculation of reserve prices for non-yearly standard capacity products for firm capacity with seasonal factors

Seasonal factors are not proposed under this Modification and the requirements of this Article are therefore not relevant.

Article 16. Calculation of reserve prices for standard capacity products for interruptible capacity

1. The reserve prices for standard capacity products for interruptible capacity shall be calculated by multiplying the reserve prices for the respective standard capacity products for firm capacity calculated as set out in Articles 14 or 15, as relevant, by the difference between 100 % and the level of an ex-ante discount calculated as set out in paragraphs 2 and 3.

2. An ex-ante discount shall be calculated in accordance with the following formula:

[Formula]

Pro factor is the probability of interruption which is set or approved in accordance with Article 41(6)(a) of Directive 2009/73/EC pursuant to Article 28, and which refers to the type of standard capacity product for interruptible capacity;

A is the adjustment factor which is set or approved in accordance with Article 41(6)(a) of Directive 2009/73/EC pursuant to Article 28, applied to reflect the estimated economic value of the type of standard capacity product for interruptible capacity, calculated for each, some or all interconnection points, which shall be no less than 1.

3. The Pro factor referred to in paragraph 2 shall be calculated for each, some or all interconnection points per type of standard capacity product for interruptible capacity offered in accordance with the following formula on the basis of forecasted information related to the components of this formula:

[Formula]

4. As an alternative to applying ex-ante discounts in accordance with paragraph 1, the national regulatory authority may decide to apply an ex-post discount, whereby network users are compensated after the actual interruptions incurred. Such ex-post discount may only be used at interconnection points where there was no interruption of capacity due to physical congestion in the preceding gas year.

The ex-post compensation paid for each day on which an interruption occurred shall be equal to three times the reserve price for daily standard capacity products for firm capacity.

Modification 06781's solution in respect of interruptible capacity replicates that of National Grid's 0678. An ex ante discount of 10% will be applied.

Article 17. General provisions

1. Where and to the extent that the transmission system operator functions under a non-price cap regime, the following principles shall apply:

(a) the under- or over-recovery of the transmission services revenue shall be minimised having due regard to necessary investments;

National Grid will be responsible for ensuring compliance with this Article. Modification 0678I employs only capacity-based charges for the recovery of Transmission Services revenue which removes uncertainties in revenue recovery that would arise from commodity-based charges. To set accurate ex ante capacity charges, National Grid will be required to accurately forecast capacity bookings; Modification 0678I will introduce new UNC rules and obligations to provide appropriate governance to the Forecasted Contracted Capacity Methodology.

(b) the level of transmission tariffs shall ensure that the transmission services revenue is recovered by the transmission system operator in a timely manner;

The Modification introduces capacity-based Transmission Services Revenue Recovery Charges to help National Grid comply with this provision.

(c) significant differences between the levels of transmission tariffs applicable for two consecutive tariff periods shall be avoided to the extent possible.

The Modification introduces capacity-based Transmission Services Revenue Recovery Charges to help National Grid comply with this provision.

2. Where and to the extent that the transmission system operator functions under a price cap regime or applies a fixed payable price approach set out in Article 24(b), no revenue reconciliation shall occur and all risks related to under- or over-recovery shall be covered exclusively by the risk premium. In such case Articles 18, 19(1) to (4) and 20 shall not apply.

3. Subject to the requirements of periodic consultations pursuant to Article 26 and subject to approval in accordance with Article 41(6)(a) of Directive 2009/73/EC, non-transmission services revenue may be reconciled as set out in this Chapter, mutatis mutandis.

Article 18. Under- and over-recovery

1.The under- or over-recovery of the transmission services revenue shall be equal to:

[Formula]

2.Where the difference calculated in accordance with paragraph 1 is positive, it shall indicate an over-recovery of the transmission services revenue. Where such difference is negative, it shall indicate an under-recovery of the transmission services revenue.

Article 19. Regulatory account

1. The regulatory account shall indicate the information referred to in Article 18(1) for a given tariff period and may include other information, such as the difference between the anticipated and the actual cost components.
2. The transmission system operator's under- or over-recovered transmission services revenue shall be attributed to the regulatory account, unless other rules have been enacted in accordance with Article 41(6)(a) of Directive 2009/73/EC.
3. Where incentive mechanisms for capacity sales are implemented, subject to a decision in accordance with Article 41(6)(a) of Directive 2009/73/EC, only a part of the transmission system operator's under- or over-recovery shall be attributed to the regulatory account. In such case, the residual part thereof shall be kept or paid, as relevant, by the transmission system operator.

Article 20. Reconciliation of regulatory account

1. The full or partial reconciliation of the regulatory account shall be carried out in accordance with the applied reference price methodology and, in addition, by using the charge referred to in Article 4(3)(b), if applied.
2. The reconciliation of the regulatory account shall be carried out pursuant to the rules enacted in accordance with Article 41(6)(a) of Directive 2009/73/EC over a given reconciliation period, meaning the time period over which the regulatory account referred to in Article 19 shall be reconciled.
3. The regulatory account shall be reconciled with the aim of reimbursing to the transmission system operator the under-recovery and of returning to the network users the over-recovery.

Article 21. Pricing of bundled capacity

This Article is already accommodated within the UNC. The Modification will not amend the current arrangements.

Article 22. Pricing of capacity at a virtual interconnection point

Article 23. Calculation of clearing price at interconnection points

The clearing price for a given standard capacity product at an interconnection point shall be calculated in accordance with the following formula:

[Formula]

Article 24. Calculation of payable price at interconnection points

The payable price for a given standard capacity product at an interconnection point shall be calculated in accordance with either of the following formulas:

(a) where the floating payable price approach is applied:

[Formula]

The floating payable price approach will apply and be managed accordingly by National Grid.

(b) where the fixed payable price approach is applied:

[Formula]

Article 25. Conditions for offering payable price approaches

1. Where and to the extent that the transmission system operator functions under a non-price cap regime, the conditions for offering payable price approaches shall be as follows:

(a) for cases where only existing capacity is offered:

- (i) the floating payable price approach shall be offered;**
- (ii) the fixed payable price approach shall not be allowed.**

(b) for incremental capacity and existing capacity offered in the same auction or same alternative allocation mechanism:

- (i) the floating payable price approach may be offered;**
- (ii) the fixed payable price approach may be offered where one of the following conditions is met:**

(1) an alternative allocation mechanism set out in Article 30 of Regulation (EU) 2017/459 is used;

(2) a project is included in the Union list of projects of common interest as set out in Article 3 of Regulation (EU) No 347/2013 of the European Parliament and of the Council (1).

A floating payable price approach will be employed.

2. Where and to the extent that the transmission system operator functions under a price cap regime, the floating payable price approach or the fixed payable price approach, or both, may be offered.

Article 26. Periodic consultation

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:

(a) the description of the proposed reference price methodology as well as the following items:

(i) the indicative information set out in Article 30(1)(a), including:

(1) the justification of the parameters used that are related to the technical characteristics of the system;

(2) the corresponding information on the respective values of such parameters and the assumptions applied.

(ii) the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;

(iii) the indicative reference prices subject to consultation;

(iv) the results, the components and the details of these components for the cost allocation assessments set out in Article 5;

(v) the assessment of the proposed reference price methodology in accordance with Article 7;

(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);

(b) the indicative information set out in Article 30(1)(b)(i), (iv), (v);

(c) the following information on transmission and non-transmission tariffs:

(i) where commodity-based transmission tariffs referred to in Article 4(3) are proposed:

(1) the manner in which they are set;

(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;

(3) the indicative commodity-based transmission tariffs;

(ii) where non-transmission services provided to network users are proposed:

(1) the non-transmission service tariff methodology therefor;

(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;

(3) the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);

(4) the indicative non-transmission tariffs for non-transmission services provided to network users;

(d) the indicative information set out in Article 30(2);

(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:

(i) the proposed index;

(ii) the proposed calculation and how the revenue derived from the risk premium is used;

(iii) at which interconnection point(s) and for which tariff period(s) such approach is proposed;

(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.

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.

3.Within one month following the end of the consultation, the transmission system operator(s) or 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.

[The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.](#)

Article 27. Periodic national regulatory authority decision-making

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.

2. The Agency shall analyse the following aspects of the consultation document:

(a) whether all the information referred to in Article 26(1) has been published;

(b) whether the elements consulted on in accordance with Article 26 comply with the following requirements:

(1) whether the proposed reference price methodology complies with the requirements set out in Article 7;

(2) whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met;

(3) whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.

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, and the Commission the conclusion of its analysis in accordance with paragraph 2 in English. The Agency shall preserve the confidentiality of any commercially sensitive information.

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.

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.

[The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.](#)

Article 28. Consultation on discounts, multipliers and seasonal factors

The detailed information provided by this Modification will help the National Regulatory Authority to fulfil the obligations described in this Article.

Article 29. Information to be published before the annual yearly capacity auction

For interconnection points and, where the national regulatory authority takes a decision to apply Regulation (EU) 2017/459, points other than interconnection points, the following information shall be published before the annual yearly capacity auction in accordance with the requirements set out in Articles 31 and 32 by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority:

(a) for standard capacity products for firm capacity:

(i) the reserve prices applicable until at least the end of the gas year beginning after the annual yearly capacity auction;

ii) the multipliers and seasonal factors applied to reserve prices for non-yearly standard capacity products;

(iii) the justification of the national regulatory authority for the level of multipliers;

(iv) where seasonal factors are applied, the justification for their application.

(b) for standard capacity products for interruptible capacity:

(i) the reserve prices applicable until at least the end of the gas year beginning after the annual yearly capacity auction;

(ii) an assessment of the probability of interruption including:

(1) the list of all types of standard capacity products for interruptible capacity offered including the respective probability of interruption and the level of discount applied;

(2) the explanation of how the probability of interruption is calculated for each type of product referred to in point (1);

(3) the historical or forecasted data, or both, used for the estimation of the probability of interruption referred to in point (2).

Article 30. Information to be published before the tariff period

1. The following information shall be published before the tariff period in accordance with the requirements set out in Articles 31 and 32 by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority:

(a) information on parameters used in the applied reference price methodology that are related to the technical characteristics of the transmission system, such as:

- (i) technical capacity at entry and exit points and associated assumptions;**
- (ii) forecasted contracted capacity at entry and exit points and associated assumptions;**
- (iii) the quantity and the direction of the gas flow for entry and exit points and associated assumptions, such as demand and supply scenarios for the gas flow under peak conditions;**
- (iv) the structural representation of the transmission network with an appropriate level of detail;**
- (v) additional technical information about the transmission network, such as the length and the diameter of pipelines and the power of compressor stations.**

(b) the following information:

- (i) the allowed or target revenue, or both, of the transmission system operator;**
- (ii) the information related to changes in the revenue referred to in point (i) from one year to the next year;**

(iii) the following parameters:

- (1) types of assets included in the regulated asset base and their aggregated value;**
- (2) cost of capital and its calculation methodology;**
- (3) capital expenditures, including:**
 - (a) methodologies to determine the initial value of the assets;**
 - (b) methodologies to re-evaluate the assets;**
 - (c) explanations of the evolution of the value of the assets;**
 - (d) depreciation periods and amounts per asset type.**
- (4) operational expenditures;**
- (5) incentive mechanisms and efficiency targets;**
- (6) inflation indices.**

(iv) the transmission services revenue;

(v) the following ratios for the revenue referred to in point (iv):

- (1) capacity-commodity split, meaning the breakdown between the revenue from capacity-based transmission tariffs and the revenue from commodity-based transmission tariffs;**

(2) entry-exit split, meaning the breakdown between the revenue from capacity-based transmission tariffs at all entry points and the revenue from capacity-based transmission tariffs at all exit points;

(3) intra-system/cross-system split, meaning the breakdown between the revenue from intra-system network use at both entry points and exit points and the revenue from cross-system network use at both entry points and exit points calculated as set out in Article 5.

(vi) where and to the extent that the transmission system operator functions under a non-price cap regime, the following information related to the previous tariff period on regarding the reconciliation of the regulatory account:

(1) the actually obtained revenue, the under- or over-recovery of the allowed revenue and the part thereof attributed to the regulatory account and, if applicable, sub-accounts within such regulatory account;

(2) the reconciliation period and the incentive mechanisms implemented.

(vii) the intended use of the auction premium.

(c) the following information on transmission and non-transmission tariffs, accompanied by the relevant information related to their derivation:

(i) where applied, commodity-based transmission tariffs referred to in Article 4(3);

(ii) where applied, non-transmission tariffs for non-transmission services referred to in Article 4(4);

(iii) the reference prices and other prices applicable at points other than those referred to in Article 29.

2. In addition, the following information shall be published with regard to transmission tariffs:

(a) explanation of the following:

(i) the difference in the level of transmission tariffs for the same type of transmission service applicable for the prevailing tariff period and for the tariff period for which the information is published;

(ii) the estimated difference in the level of transmission tariffs for the same type of transmission service applicable for the tariff period for which the information is published and for each tariff period within the remainder of the regulatory period.

(b) at least a simplified tariff model, updated regularly, accompanied by the explanation of how to use it, enabling network users to calculate the transmission tariffs applicable for the prevailing tariff period and to estimate their possible evolution beyond such tariff period.

3. For the points excluded from the definition of relevant points referred to in point 3.2(1)(a) of Annex I to Regulation (EC) No 715/2009, the information on the amount of forecasted contracted capacity and the forecasted quantity of the gas flow shall be published as set out in point 3.2(2) of Annex I to Regulation (EC) No 715/2009.

The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.

Article 31. Form of publication

1. The information referred to in Articles 29 and 30 shall be published as set out in Article 32 via a link on the platform referred to in point 3.1.1(1)(h) of Annex I to Regulation (EC) No 715/2009 to the website of the respective entity. Such information shall be accessible to the public, free of charge and of any limitations as to its use. It shall be published:

- (a) in a user-friendly manner;**
- (b) in a clear, easily accessible way and on a non-discriminatory basis;**
- (c) in a downloadable format;**
- (d) in one or more of the official languages of the Member State and, unless one of the official languages of the Member State is English, to the extent possible, in English.**

2. The following information shall be published for interconnection points on the platform referred to in point 3.1.1(1)(h) of Annex I to Regulation (EC) No 715/2009: (a) at the same time as set out in Article 29, the reserve prices for standard capacity products for firm capacity and for standard capacity products for interruptible capacity; (b) at the same time as set out in Article 30, a flow-based charge referred to in Article 4(3)(a), where applied.

3. The information referred to in paragraph 2 shall be published in the following manner:

- (a) as set out in paragraph 1(a) to (c);**
- (b) in English;**
- (c) in a standardised table which shall include at least the following information:**
 - (i) the interconnection point;**
 - (ii) the direction of the gas flow;**
 - (iii) the names of the relevant transmission system operators;**
 - (iv) the start and the end time of the product;**
 - (v) whether the capacity is firm or interruptible;**
 - (vi) the indication of the standard capacity product; (vii) the applicable tariff per kWh/h and per kWh/d in the local currency and in the euro taking into account the following:**
 - (1) where the applied capacity unit is kWh/h, the information on the applicable tariff per kWh/d shall be non-binding, and vice versa;**
 - (2) where the local currency is other than the euro, the information on the applicable tariff in euro shall be non-binding. In addition, at the same time as set out in Article 30, such standardised table shall include the simulation of all the costs for flowing 1 GWh/day/year for each interconnection point in the local currency and in the euro subject to point vii(2).**

4. Where the information referred to in paragraph 2 is different from the respective information referred to in paragraph 1, the respective information referred to in paragraph 1 shall prevail.

[The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.](#)

Article 32. Publication notice period

The deadline for the publication of the information set out in Articles 29 and 30 shall be as follows:

- (a) for the information set out in Article 29, no later than thirty days before the annual yearly capacity auction;
- (b) for the information set out in Article 30, no later than thirty days before the respective tariff period;
- (c) for the respective transmission tariffs updated within the tariff period as set out in Article 12(3), immediately after the approval in accordance with Article 41(6)(a) of Directive 2009/73/EC.

Each update of the transmission tariffs shall be accompanied by information indicating the reasons for the changes in their level. Where Article 12(3)(b) is applied, it shall also be accompanied by the updated report referred to in Article 29(b) for the respective types of standard capacity products for interruptible capacity.

The Modification does not propose any changes to the current publication notice periods provided by National Grid. The current notice periods are compliant with this Article.

Article 35. Existing contracts

1.This Regulation shall not affect the levels of transmission tariffs resulting from contracts or capacity bookings concluded before 6 April 2017 where such contracts or capacity bookings foresee no change in the levels of the capacity- and/or commodity-based transmission tariffs except for indexation, if any.

The Modification fully complies with this requirement in that system entry capacity purchased prior to 6th April 2017 will attract only the fixed capacity price contracted for. Transmission Services Revenue Recovery Charges, which are to be capacity-based, will not apply to Existing Contracts thereby affording the full contractual protection prescribed by this Article 35.

2.The contract provisions related to transmission tariffs and capacity bookings referred to in paragraph 1 shall not be renewed, prolonged or rolled over after their expiration date.

3.Before 6 May 2017, a transmission system operator shall send the contracts or the information on capacity bookings, if any, referred to in paragraph 1 to the national regulatory authority for information.

Article 38. Entry into force

The proposer notes the powers available under the Electricity and Gas (Powers to make subordinate legislation) (Amendment) (EU Exit) Regulations 2018, to amend gas network code where required as stipulated under Article 7 of this SI. This provision specifically states the "Regulations under this Article must be consistent with the objectives of contributing to non-discrimination, effective competition and the efficient functioning of the market." This could be achievement by amending UK's application of Article 38.3, Entry into force, to allow for a later date.