

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

Modification 678C incorporates proposals that mitigate the compliance concerns raised by Ofgem in the decision letter of 621 dated 20th December 2018. Specifically, 678C does not include a transition period, interim contracts nor an NTS Optional Charge.

For clarity, SSE's modification differs from 0678 in the following way:

- Postage stamp as the RPM.
- A discount of [80%] applied to storage.
- No revenue recovery charges to be applied to pre April 2017 Existing Storage capacity bookings, including both historical and future secondary trading and transfer.
- The FCC to be included in the UNC.
- A recommendation of a 1st October 2020 implementation date.

The text in this document is the same as the RWE compliance document for 678A except where highlighted in mark_up_

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

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:

This Clause requires that for a service to be considered a transmission service¹ the service must meet the criteria that are related to cost drivers of both technical or forecasted contracted capacity and distance set out in Article 4(1)(a) and that those services must relate to investment in and operation of the infrastructure which is part of the regulated asset base for the provision of transmission services as set out in Article 4(1)(b).

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

Under 0678C the cost drivers defined transmission services (i.e. services related to investment in and maintenance of the regulated transmission assets) are defined under Article 4(1)(a) in relation to the “cost drivers” of both technical or forecasted contracted capacity and distance as follows:

- 0678C recognises that forecasted contracted capacity is a cost driver² for GB transmission services where these costs relate to investment in and maintenance of the regulated transmission assets. These costs are historical sunk costs that are related to a shared network that is already built and that has spare capacity.
- The postage stamp reference price methodology under 0678C recognises forecasted contracted capacity is a cost driver by weighting the historical costs to the forecasted contracted capacity at each entry and exit point. This results in reference prices that are fair, proportionate and applied in a non-distortive manner.
- 0678C recognises that distance is not a “cost driver” for GB transmission services. There is no basis for “correlating” historical sunk costs of the transmission system operator with distance as required under the definition of cost drivers under Regulation 2017/460. 0678C notes that *“there are several potential weaknesses with using distance as a factor for setting the reference price”* (Ofgem decision letter UNC0621³). These include potential for
 - distortive locational signals;
 - that the simple “distance” in the methodology does not reflect “real” flows on the gas network; and
 - outcomes of a reference price methodology using distance may not be “fair” particularly in relation to users in more remote locations pay higher charges but do not drive significant additional costs from their use of a shared network that is already built and that has spare capacity (as set out in UNC0621 decision letter)

¹ Regulation 2017/460 ‘transmission services’ means the regulated services that are provided by the transmission system operator within the entry-exit system for the purpose of transmission

² Regulation 2017/460: ‘cost driver’ means a key determinant of the transmission system operator's activity which is correlated to the costs of that transmission system operator, such as distance or technical capacity

³ Ofgem decision letter on Modification Proposal UNC0621 can be found at: <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2018-12/Ofgem%20Decision%20Letter%200621.pdf>

0678C requires the retention of the capacity weighted distance reference price methodology as a counterfactual to the postage stamp reference price methodology in accordance with Recital 3 and Article 26 1(a)(vi) of Regulation 2017/460.

Forecasted contracted capacity is the sole cost driver that is related to the definition of transmission services under Article 4 where such services relate to historical sunk costs of a shared network that is already built and that has spare capacity. The reference price methodology under 0678C is compliant with Article 4 (1)(a).

(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.

The costs of the transmission services defined under 0678C relate to investment in and operation of the revenue which is part of the regulated asset base for the provision of transmission services. The reference price methodology under 0678C is compliant with Article 4 1(b).

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.

0678C identifies transmission services and separately defines non-transmission services. 0678C complies with the criteria set out in points 4 (1)(a) and 4(1)(b). Prior to implementation 0678C will be subject to a consultation process under the UNC and Regulation 2017/460. It is not envisaged that there is a requirement for further consideration of this issue in the periodic consultation by the transmission system operator(s) or the national regulatory authority and decision by the national regulatory authority, as envisaged under Articles 26 and 27.

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

0678C *“takes into account the conditions for firm capacity tariffs”* by applying postage stamp tariffs to firm capacity products (with discounts for interruptible/off peak entry, interruptible/off peak exit and storage capacity) together with a capacity-based revenue recovery charge. 0678C is compliant with Article 4(2).

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

0678C is compliant with Article 4(3). 0678C proposes to recover historic sunk costs using capacity based transmission tariffs. 0678C do not include any proposals for commodity-based tariffs.

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.

0678C does not propose any commodity based transmission tariffs that are required for approval by the NRA as an exception.

(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.

0678C does not propose a complementary revenue recovery charge.

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.

0678C proposes that non-transmission services revenue are recovered using cost reflective, non-discriminatory, objective and transparent charges for the following services:

- General Non-Transmission Services Entry and Exit Charges: a flow based charge as a flat unit price for all Entry Points and Exit Points;
- St Fergus Compression Charges;
- NTS Metering Charges;
- DN Pensions Deficit charges;
- Shared Supply Meter Point Administration charges; and
- Allocation Charges at Interconnectors

Non- transmission services revenue will therefore be recovered through non transmission tariffs that relate to a given non transmission service and charged to the beneficiaries of the given non-transmission service. 0678C is compliant with Article 4(4).

0678C states that *“It is proposed that revenue due for collection via General Non-Transmission Services Entry and Exit Charges will be equal to the Non-Transmission Services revenue minus the DN Pensions Charges, NTS Meter Maintenance Charges, St. Fergus Compressor Charges, Shared Supply Meter Point Administration Charges and Allocation Charges at Interconnectors”*.

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:

It is noted that the cost allocation assessment shall be undertaken by the national regulatory authority or the transmission system operator and that they will be published as part of the final consultation referred to in Article 26. 0678C provides that relevant information that enables the cost assessments to be undertaken and published as envisaged under Article 5(1).

(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;

The cost allocation assessment envisaged under Article 5(a) allows for a choice of cost drivers. 0678C will enable the cost assessment under Article 5 (1)(a)(iv) by providing the following information:

- The **forecasted contracted capacity under Article 5(1)(a)(ii)**: The 0678C postage stamp reference price methodology will establish the forecasted contracted capacity through a separate methodology set out in the UNC. This forecasted contracted capacity methodology will be subject to periodic review and consultation in relation to any proposed changes; and
- The **forecasted contracted capacity and distance** (Article 5(1)(a)(iv)) where distance is 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” (as set out in Article 8(c)). The forecasted contracted capacity and distance shall be used in the cost assessment of the capacity weighted distance methodology which will be published as a counterfactual alongside the cost assessment of the postage stamp methodology as required under 0678C and Article 26 1(a)(vi).

(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.

0678C does not propose that transmission services revenue will be recovered by commodity-based transmission tariffs. 0678C does not foresee a cost allocation assessment as required under Article 5(1)(b).

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.

0678C will provide information that will enable a cost allocation assessment of the degree of cross-subsidisation between intra-system and cross-system network use based on the proposed postage stamp reference price methodology. It should be noted that the postage stamp allocation of costs

does not envisage any “cross subsidisation”. However, the use of certain multipliers will result in adjustments to tariffs to ensure the recovery of relevant costs in a gas year. These adjustments are included within the 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:

0678C will enable the cost allocation assessment envisaged under Article 5(3)(a).

(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]

0678C will enable the cost allocation assessment envisaged under Article 5(3)(b).

(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]

0678C will enable the cost allocation assessment envisaged under Article 5(3)(c).

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]

0678C will enable the cost allocation assessment envisaged under Article 5(4)(a).

(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]

0678C will enable the cost allocation assessment envisaged under Article 5(4)(b).

(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]

0678C will enable the cost allocation assessment envisaged under Article 5(4)(c).

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;

0678C will enable the calculation envisaged under Article 5(5)(a).

(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;

0678C will enable the calculation envisaged under Article 5(5)(b).

(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.

0678C will enable the calculation envisaged under Article 5(5)(c).

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).

It is noted that Article 5(6) allows for a cost allocation comparison for distance 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.

Under the 0678C postage stamp reference price methodology distance is not a cost driver and it is not used in combination with technical or forecasted contracted capacity or flows, the capacity weighted average distance or, respectively, commodity weighted average distance for the purpose of establishing reference prices and reserve prices.

0678C envisages that the capacity weighted distance methodology will be retained as a counterfactual and for the purpose of comparison with the capacity based postage stamp reference price methodology.

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.

0678C sets out a postage stamp reference price methodology that enables the approval or consultation envisaged in Article 6(1).

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

0678C shall provide a reference price as required under Article 6(2). 0678C is compliant with Article 6(2).

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.

0678C will apply the same reference price methodology to all entry and exit points in GB. 0678C is compliant with Article 6(3).

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;

(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.

The postage stamp reference price methodology under 0678C will be set out in the UNC. Article 4(6) permits adjustments to this reference price methodology under the circumstances specified. 0678C will enable such adjustments (if any) to take place through modifications to the UNC.

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.

The postage stamp reference price methodology under 0678C will comply with Article 13 of Regulation (EC) No 715/2009.

As required under Regulation **715/2009** Article 13 (1) the 0678C will be compliant with the following

- The 0678C tariffs will be *“transparent, take into account the need for system integrity and its improvement and reflect the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including an appropriate return on investments, and, where appropriate, taking account of the benchmarking of tariffs by the regulatory authorities”*.
- The 0678C tariffs, *“or the methodologies used to calculate them, shall be applied in a non-discriminatory manner”*.
- The 0678C tariffs *“or the methodologies used to calculate them, shall facilitate efficient gas trade and competition, while at the same time avoiding cross-subsidies between network users and providing incentives for investment and maintaining or creating interoperability for transmission networks”*.
- The 0678C tariffs *“for network users shall be non-discriminatory and set separately for every entry point into or exit point out of the transmission system”*.

The 0678C proposals allows for *“Cost-allocation mechanisms and rate setting methodology regarding entry points and exit points” to be “approved by the national regulatory authorities”*.

As required under Regulation **715/2009** Article 13 (2) the 0678C tariffs for network access *“shall neither restrict market liquidity nor distort trade across borders of different transmission systems”*.

We note that Regulation **715/2009** Article 13 (2) requires that *“Where differences in tariff structures or balancing mechanisms would hamper trade across transmission systems, and notwithstanding Article 41(6) of Directive 2009/73/EC, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles, including in relation to balancing”*.

It [the Reference Price Methodology] shall aim at:

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

Under 0678C the key parameters of the postage stamp reference price methodology will be open and transparent. The key elements for the calculation and forecasting the tariffs are:

- the forecasted contracted capacity: a methodology under the UNC will set out the arrangements for setting the forecasted contracted capacity for the relevant gas year. The data required to establish the inputs for the tariffs for each gas year will be published alongside the tariffs. This will include historic data for each entry and exit point as required under the methodology and any forecast of capacity required for DN offtakes for the relevant gas year;
- the transmission service allowed revenue: This is the revenue to be recovered in the relevant gas year. It is envisaged that the forecasts of allowed revenue for future gas years

will be published to enable users to forecast tariffs. The information will be provided by the transmission system operator;

- a distance matrix for all entry and exit points to enable the counterfactual capacity weighted distance tariffs to be calculated and forecasted;
- the relevant storage entry and exit points and the associated discounts based on the relevant multipliers;
- and other information relevant to the setting of the tariffs under the reference price methodology (e.g. assumptions relating to the treatment of new entry and exit points in the reference price methodology).

It is envisaged that the transmission system operator will publish a model which enables the calculation of postage stamp reference prices and the counterfactual capacity weighted distance reference prices.

0678C will be compliant with Article 7(a).

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

0678C postage stamp reference price methodology will enable the recovery of the allowed transmission services revenue associated with historical sunk costs for the relevant gas transporter. These allowed revenues relate to the actual costs incurred for transmission services relate to investment in and operation of the regulated asset base.

0678C is therefore compliant with Article 7(b) since it takes into account the actual costs (in terms of historical sunk costs) incurred for the provision of transmission services considering the level of complexity of the transmission network.

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

0678C will initially apply the postage stamp reference price tariffs to all entry and exit points. Therefore the tariffs are initially non-discriminatory.

There will be a 10% discount for interruptible/off peak entry and interruptible/off peak exit capacity reflects the expectation of interruption in the relevant gas year. There will be a discount of [80%] 50% for storage capacity at the relevant entry/exit points defined in National Grid licence.

The treatment of interruptible/off peak entry capacity, interruptible/off peak exit capacity and storage capacity reflects the wider system benefits that arise from these types of capacity (including increased operational flexibility and increased network resilience). Therefore the different treatment of interruptible/off peak entry capacity, interruptible/off peak exit capacity and storage capacity is considered as “due” discrimination under the postage stamp reference price methodology.

To ensure revenue recovery the tariffs will be adjusted to reflect the forecast of any revenue under recovery from the application of the capacity discounts. In any event there will be an adjustment to ensure that allowed revenue for transmission services is recovered from users or the relevant gas year (“k” value adjustments).

The 0678C reference price methodology will enable the interruptible/off peak entry capacity, interruptible/off peak exit capacity and storage capacity adjustments to be taken into account in considering non-discrimination and cross subsidisation in the cost allocation assessments as set out in Article 5.

On the basis of the justified discriminatory treatment of interruptible/off peak, interruptible/off peak and storage capacity and the justified cross subsidisation in relation to operation flexibility and network resilience, 0678C is compliant with Article 7(c).

(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;

0678C postage stamp reference price methodology is based on transmission services revenue recovery from capacity-based tariffs for all entry and exit points. It is envisaged that there is no “volume risk” under 0678C. Under 0678C costs are assigned to GB entry and exit and there are no costs that are assigned to final customers. 0678C is compliant with Article 7(d).

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

The 0678C postage stamp reference price methodology is initially applied on a uniform basis to all entry and exit points, with justified discounts for interruptible/off peak entry capacity, interruptible /off peak exit capacity and storage capacity. It does not, therefore, distort cross border trade. 0678C is compliant with Article 7(e).

Article 8 Capacity weighted distance reference price methodology

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

0678C requires the calculation of the capacity weighted distance reference price methodology as a counterfactual to the tariffs that are applied under the proposed postage stamp methodology as required under Article 26 1(a)(vi).

0678C will enable the calculation of the capacity weighted distance references prices alongside the postage stamp reference prices using the methodology set out in Article 8.

The capacity shall be the forecasted contract capacity established under 0678C.

(a) the part of the transmission services revenue to be recovered from capacity-based transmission tariffs;

Under 0678C this information will be provided by transmission system operator and relates to the transmission service allowed revenue in the relevant gas year.

(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;

Under 0678C the forecasted contracted capacity for each entry and exit point will be derived from a methodology set out under the UNC.

(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;

Under 0678C the transmission system operator will establish the data for the shortest distance of the pipeline routes between an entry point and an exit point.

(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;

Under 0678C there are no combinations of entry points and exit points where some entry points and some exit points are 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.

Under 0678C the entry exit split will be 50/50. 0678C is compliant with Article 9(1)(e).

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]

Under 0678C distance will be set to zero for the purpose of this formula under the postage stamp methodology. The capacity shall be the forecasted contract capacity established under 0678C. 0678C is compliant with Article 8(2)(a)(i).

(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]

Under 0678C distance will be set to zero for the purpose of this formula under the postage stamp methodology. The capacity shall be the forecasted contract capacity established under 0678C. 0678C is compliant with Article 8(2)(a)(ii).

(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]

Under 0678C distance will be set to zero for the purpose of this formula under the postage stamp methodology. The capacity shall be the forecasted contract capacity established under 0678C. 0678C is compliant with Article 8(2)(b).

(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;

Under 0788A the entry exit split to be applied is 50% to entry and 50% to exit in relation to the recovery of the allowed revenue for transmission services. 0678C is compliant with Article 8(2)(c).

(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]

Under 0678C postage stamp methodology will establish to transmission services revenue to be recovered from capacity-based transmission tariffs under this formula. 0678C is compliant with Article 8(2)(d).

(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]

0678C will enable the calculation of the capacity weighted distance references prices alongside the postage stamp reference prices using the methodology set out in Article 8. 0678C is compliant with Article 8(2)(e).

0678C envisages a reference price model with the relevant inputs that is compliant with Article for both the capacity weighted distance methodology and the postage stamp methodology (where the distances are set to zero).

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.

0678C proposes that in respect of storage sites, (locations where the type of Entry point/Offtake is designated as a 'Storage Site' in National Grid's Licence (Special Condition 5F Table 4B for Entry Points, and Special Condition 5G Table 8 for Exit Points) the applicable Specific Capacity Discount for a given gas year will be equal to ~~80~~50%. 0678C is compliant with Article 9(1).

[The justification for this level of discount is referenced in the document produced for the Gas Storage Operators Group by Waters Wye Associates.](#)

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.

0678C proposes that in respect of Liquefied Natural Gas (LNG) sites, (locations where the type of Entry point is designated as a 'LNG Importation Terminal' in National Grid's Licence (Special Condition 5F Table 4B)) for the period commencing 01 October 2019 or implementation date of this Modification should it be later, the applicable Specific Capacity Discount for a given gas year will be equal to 0%. 0678C does not, therefore propose any discount under Article 9(2).

Article 10 Rules for entry-exit systems within a Member State where more than one transmission system operator is active

0678C does not propose Rules for entry-exit systems since GB is not a Member State where more than one transmission system operator is active. Article 10 is not applicable for 0678C.

Article 11 Rules for entry-exit systems covering more than one Member State where more than one transmission system operator is active

0678C does not propose a rule for entry-exit systems covering since GB is not a Member State where more than one transmission system operator is active. Article 11 is not applicable for 0678C.

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.

0678C proposes that yearly standard capacity products for firm capacity, the reference prices shall be used as reserve prices.

0678C proposes a methodology that calculates reserve prices in accordance with Chapter III of Regulation 2017/460.

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

0678C proposes that the “tariff period”⁴ and “gas year” are coincident and recommends commencement on 1 October 2020.

We note that an Authority decision on implementation of 0678C must respect Article 12 (2). If an Authority decision is made part of the way through a gas year then a direction with respect to Article 12(2) may be required.

Given the urgent status of 0678C her modification proposal recommends implementation as soon as possible while respecting Article 12(2).

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:

0678C proposes that the reserve prices published according to Article 29 shall be binding for a subsequent gas year. 0678C does not propose reserve prices that are binding for a “subsequent gas year” where that gas year is not the next gas year for which the reserve prices are applicable.

(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;

0678C must respect the requirement to recalculate 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. We expect this to be reflected in the legal text for 0678C.

⁴ Regulation 2017/460 - ‘tariff period’ means the time period during which a particular level of reference price is applicable, which minimum duration is one year and maximum duration is the duration of the regulatory period;

(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.

0678C must respect the requirement to recalculate the reference price 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. We expect this to be reflected in the legal text for 0678C.

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;

0678C proposes a multiplier of 1 for quarterly capacity products which is in the range of “no less than 1 and no more than 1.5”. 0678C is therefore compliant with Article 31(1).

0678C proposes a multiplier of 1 for monthly capacity products which is in the range of “no less than 1 and no more than 1.5”. 0678C is therefore compliant with Article 31(1).

(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.

0678C proposes a multiplier of 1 for daily capacity products which is in the range of “no less than 1 and no more than 3”. 0678C is therefore compliant with Article 31(2).

0678A does not propose any “duly justified cases” where the “the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3”. 0678C is therefore compliant with Article 31(2).

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.

0678C does not propose to apply seasonal factors. 0678C is therefore compliant with Article 31(3).

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]

0678C will enable that calculation of reserve prices for quarterly standard capacity products, for monthly standard capacity products and for daily standard capacity products in accordance with Article 14(a). 0678C proposes that reserve prices will be produced in p/KWh/d. 0678C is compliant with Article 14(a).

Note that 0678C proposes that reserve prices for the relevant gas year will include a premium that is equal to either

- The difference between the allocated price and Reserve Price in the relevant auction when the capacity was initially contracted for ('auction premium'); or
- The amount specified in respect of entry capacity allocated via a PARCA Application as described in TPD B1.14 and the Entry Capacity Release Methodology Statement ('PARCA premium').

0678C proposes that the Reserve Price for Firm capacity at an Entry Point or an Exit Point is determined by application of any applicable Multipliers to the relevant Reference Price.

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

[Formula]

0678C will enable that calculation of reserve prices for within-day standard capacity products in accordance with Article 14(b) if required. 0678C proposes that reserve prices will be produced in p/KWh/d. 0678C is compliant with Article 14(b).

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

0678C does not propose the use of seasonal factors. Article 15 is not applicable to 0678C.

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.

0678C proposes a 10% discount for interruptible/off peak entry and interruptible/off peak exit capacity. 0678C will enable the calculation of the relevant discount using the formulas set out in Article 16.

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.

0678C will enable the calculation of the ex ante discount in accordance with Article 16(2).

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]

0678C enables the establishment of a “pro factor” in relation to the probability of interruption.

0678C proposes that the interruptible/off peak discounts are based on the likelihood of interruption and the estimated economic value of the interruptible/off-peak capacity products. 0678C adopts a ‘banding approach’ for the period commencing 01 October 2019 or implementation date should it be after and for subsequent years, such that the proposed discount value will be rounded up to the nearest 10%.

0678C proposes that for the period commencing 01 October 2019, or the implementation date of this Modification should it be after, the discount applied in respect of Interruptible and Off-peak Capacity shall be 10% at Entry Points and 10% at Exit Points.

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.

0678C does not include any provision associated with decisions made by the national regulatory authority to apply an ex-post discount, whereby network users are compensated after the actual interruptions incurred.

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;**
- (b) the level of transmission tariffs shall ensure that the transmission services revenue is recovered by the transmission system operator in a timely manner;**
- (c) significant differences between the levels of transmission tariffs applicable for two consecutive tariff periods shall be avoided to the extent possible.**

National Grid will be responsible for ensuring compliance with this Article. Modification 0678C employs only capacity-based charges for the recovery of Transmission Services revenue. To set accurate ex ante capacity charges, National Grid will be required to accurately forecast capacity bookings; Modification 0678C will introduce new UNC rules and obligations to provide appropriate governance to the Forecasted Contracted Capacity Methodology. ~~Where and to the extent that GB transmission system operator functions operate under a non-price cap regime, then the proposals under 0678C apply the principles established under Article 17(1).~~

0678C proposes that under or over revenue recovery (otherwise known as the “K” value) will be calculated for Transmission Services and Non-Transmission Services for the formula year. The approach and calculation will be specified in the UNC, to be approved by Ofgem. In addition to Transmission and Non-Transmission being reconciled 0678C also proposes to have reconciliation between Entry and Exit under Transmission Services.

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.

0678C does not envisage the use of a “risk premium” that is related to “all risks related to under- or over-recovery” under Article 17(2).

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.

0678C proposes that all those charges in respect of Non-Transmission Services shall contribute towards Non-Transmission Services revenue recovery. All charges are set on an ex-ante basis.

0678C proposes that any under or over recovery attributed to the charges other than the Non-Transmission Services Entry and Exit Charge shall not be subject to reconciliation with any K value (Non-Transmission Services K value) adjusting the Non-Transmission Services Revenue recovery charge. Non-Transmission Services revenue charge will be added to the Non-Transmission Services K value which was calculated in y-2 (two years ago) which will be used to calculate the applicable years Non-Transmission Services Revenue which will be used for calculation of the Non-Transmission Services Charges.

Article 18 Under- and over-recovery

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

[Formula]

0678C will enable the calculation of the under and over recovery of transmission services revenue using the formula in Article 18(1).

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.

0678C proposes that under or over revenue recovery (otherwise known as the “K” value) will be calculated for Transmission Services and Non-Transmission Services for the formula year. The “k” value will indicate an over recovery or an under recovery.

Article 19 Regulatory account

The regulatory account⁵ relates to the under and over recovery of transmission services under a non-price cap regime. 0678C proposes that under or over revenue recovery (otherwise known as the “K” value) will be calculated for Transmission Services and Non-Transmission Services for the formula year. For the purposes of this assessment the “k” values may be construed as the “regulatory account” as envisaged under Regulation 2017/460.

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.

0678C will allow the calculation of a “k” value related to the under and over recovery in a relevant tariff period. This value will enable the “difference between the anticipated and the actual cost components” to be calculated.

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.

For the purposes of this assessment the “k” values may be construed as the “regulatory account” as envisaged under Regulation 2017/460.

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.

0678C does not include provisions that allow “incentive mechanisms” as envisaged under Article 19(3).

⁵ Regulation 2017/460 ‘regulatory account’ means the account aggregating at least under- and over-recovery of the transmission services revenue under a non-price cap regime;

Article 20 Reconciliation of regulatory account

The regulatory account⁶ relates to the under and over recovery of transmission services under a non-price cap regime. 0678C proposes that under or over revenue recovery (otherwise known as the “k” value) will be calculated for Transmission Services and Non-Transmission Services for the formula year. For the purposes of this assessment the “k” values may be construed as the “regulatory account” as envisaged under Regulation 2017/460.

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.

As the “applied reference price methodology” 0678C enables the full reconciliation of the regulatory account using the “k” value.

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.

0678C will permit the reconciliation pursuant to the rules enacted in accordance with Article 41(6)(a) of Directive 2009/73/EC over a given reconciliation period.

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.

0678C enables reimbursing to the transmission system operator the under-recovery and of returning to the network users the over-recovery through the “k” value.

⁶ Regulation 2017/460 ‘regulatory account’ means the account aggregating at least under- and over-recovery of the transmission services revenue under a non-price cap regime;

Article 21 Pricing of bundled capacity

Article 21 is not applicable to 0678C.

Article 22 Pricing of capacity at a virtual interconnection point

Article 22 is not applicable to 0678C.

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]

Subject to the availability of the relevant information from the transmission system operator, 0678C will enable the calculation of the clearing price for a given standard capacity product at an interconnection point using the applicable reserve price calculated in accordance with the postage stamp reference price methodology.

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]

Subject to the availability of the relevant information from the transmission system operator and to the extent that the calculation of “floating payable price” is required, 0678C will enable the calculation of the floating payable price for a given standard capacity product at an interconnection point using the applicable reserve price calculated in accordance with the postage stamp reference price methodology.

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

[Formula]

Subject to the availability of the relevant information from the transmission system operator, 0678C and to the extent that the calculation of “fixed payable price” is required, 0678C will enable the calculation of the fixed payable price for a given standard capacity product at an interconnection point using the applicable reserve price calculated in accordance with the postage stamp reference price methodology.

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).

To the extent that the GB transmission system operator functions under a non-price cap regime 0678C proposes the use of floating prices and does not propose fixed prices. 0678C is compliant with Article 25(1).

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.

To the extent that the GB transmission system operator functions under a price cap regime 0678C proposes the use of floating prices and does not propose fixed prices. 0678C is compliant with Article 25(2).

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:

The postage stamp reference price methodology proposed under 0678C will permit the consultation envisaged under Article 26(1).

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

The proposed postage stamp reference price is set out under 0678C.

(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;

This information relates to the technical characteristics of the system and is available from the transmission system operator. The information should be requested as part of the Article 26 consultation and does not form part of the 0678C proposal.

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

The postage stamp reference price methodology as set out in the Modification Proposal and Report includes the information with respect to the values of such parameters and the assumptions applied.

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

The postage stamp reference price methodology as set out in the Modification Proposal and Report includes the information with respect to the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9.

(iii) the indicative reference prices subject to consultation;

The tariff model provided by transmission system operator as part of the 0678C assessment with respect to the postage stamp reference price methodology as set out in the Modification Proposal and Report includes 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;

The costs allocation assessment will be undertaken by the national regulatory authority or the transmission system operator as required under Article 5. The 0678C modification proposal and report does not include these cost assessments.

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

The assessment of the proposed reference price methodology in accordance with Article 7 is included in this document based on information from the 0678 Modification Proposal and Report.

(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);

The tariff model provided by the transmission system operator as part of the 0678C assessment with respect to the capacity weighted distance and postage stamp reference price methodology as set out in the Modification Proposal and Report provides the comparison as envisaged in point (iii).

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

The 0678C Modification Proposal and Report sets out the information required under Article The 0678C Modification Proposal and Report sets out the information required under Article 26(1)(a)(ii).

(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;

0678C does not propose commodity-based transmission tariffs referred to in Article 4(3)

(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;

The 0678C Modification Proposal and Report sets out the information required under Article 26(1)(a)(ii)

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

The 0678C Modification Proposal and Report sets out the information required under 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.

0678C does not propose a fixed payable price approach.

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.

0678C is subject to the final consultation referred to in Article 26(2).

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.

0678C is subject to the final consultation referred to in Article 26(2) notes that the consultation and responses will be published.

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;

The information for the assessment of the proposed reference price methodology in accordance with Article 7 is included in this document based on information the 0678 Modification Proposal and Report

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

The information for the assessment of the proposed reference price methodology in accordance with Article 4(3) is included in this document based on information the 0678 Modification Proposal and Report

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

The information for the assessment of the proposed reference price methodology in accordance with Article 4(4) is included in this document based on information the 0678 Modification Proposal and Report

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 process for Periodic national regulatory authority decision-making under Article 27 will apply to the postage stamp reference price methodology envisaged in 0678C under the UNC.

Article 28 Consultation on discounts, multipliers and seasonal factors

The provisions under Article 28 relate to the functions of the national regulatory authority with respect to Regulation 2017/460.

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).

[0678C proposes that the information as envisaged under Article 29 is published as part of the postage stamp reference price methodology.](#)

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.**

[To the extent that the information is required for the postage stamp reference price methodology 0678C will enable the information envisaged under Article 30\(1\)\(a\) to be published before the relevant tariff period.](#)

(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.**

[This information is available from the GB transmission system operator and the National Regulatory Authority and is not envisaged to be published as part of 0678C.](#)

(iv) the transmission services revenue;

This information is available from the GB transmission system operator and it is envisaged that it will be published as part of 0678C.

(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.

To the extent that the information is required for the postage stamp reference price methodology 0678C will enable the information envisaged under Article 30(1) to be published before the relevant tariff period.

(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.

To the extent that the transmission system operator functions under a non-price cap regime the information envisaged under Article 30(1)(2) will be published under 0678C

(vii) the intended use of the auction premium.

To the extent that there is an auction premium, the intended use will be published as part of 0678C.

(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.

The information envisaged under Article 30(1)(c) will be published.

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.

0678C envisages the publication of the information as required under Article 30(2)(a).

(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.

0678C envisages the publication of simplified tariff model as set out in Article 30 (1)(b).

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.

0678C does not envisage the exclusion of points as set out in Article 30(3). Therefore this element of the publication will have a nil return.

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.**

[0678C will require publication in the form envisaged under Article 31\(1\).](#)

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.

[0678C will require publication in the form envisaged under Article 31\(2\).](#)

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).**

[0678C will require publication in the form envisaged under Article 31\(3\).](#)

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.

0678C will respect the requirement as set out under Article 31(4).

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.

[0678C](#) will set out a timetable for publication of information that respects the requirements set out in Article 32.

Article 33 Tariff principles for incremental capacity

Article 33 is not applicable to 0678C.

Article 34 Methodologies and parameters used to determine the allowed or target revenue of transmission system operators

Article 34 is not applicable to 0678C.

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.

0678C proposes that the provisions will apply for Entry Capacity (for 01 October 2019 or from the effective date of this Modification, whichever is later) allocated up to 06 April 2017. This will include Existing Contracts where the “contract or capacity booking concluded before the entry into force of the EU Tariff Code – 06 April 2017, such contracts or capacity bookings foresee no change in the levels of capacity and/or commodity based transmission tariffs except for indexation, if any”.

Capacity revenue recovery charges will not apply to capacity contracts for storage sites concluded before 6th April 2017. This will extend to those contracts where they have been or will be subject to secondary trade and/or transfer. It is recognised that this may create system changes. However, National Grid has received revenue to ensure GB is EU TAR compliant and the possible need for system changes does not change EU law and expose pre April 2017 storage capacity contracts to revenue recovery charges. 0678C is compliant with Article 35(1).

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.

0678C does not include and provisions that would enable the transmission tariffs and capacity bookings referred to in paragraph 1 to be renewed, prolonged or rolled over after their expiration date.

0678C is compliant with Article 35(2).

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.

The transmission system operator is required to provide information under Article 35(3) and this clause is not applicable to 0678C.

Article 36 Implementation monitoring

The provisions under Article 36 relate to the functions of ACER and ENTSOG with respect to Regulation 2017/460.

Article 37 Power to grant derogations

The provisions under Article 37 relate to the functions of ACER and ENTSOG with respect to Regulation 2017/460.

Article 38 Entry into force

0678C seeks GB compliance with Regulation 2017/460 which entered into force on 16 March 2017.