

Hi Rebecca

As requested in the workgroup meeting I have circulated these to as many of the group as I have contact details for.

I have identified a few areas of compliance that I don't think have been formally addressed for the proposed mods and should be in the report.

TAR General Compliance

I think the proposals need to consider application of Article 8 with respect to relevant flow scenarios which is defined in Article 3:

'flow scenario' means a combination of an entry point and an exit point which reflects the use of the transmission system according to likely supply and demand patterns and for which there is at least one pipeline route allowing to flow gas into the transmission network at that entry point and out of the transmission network at that exit point, irrespective of whether the capacity is contracted at that entry point and that exit point;

The application of relevant flow scenario is detailed in article 8

Article 8

8.1 The parameters for the capacity weighted distance reference price methodology **shall** be as follows:

(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;

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.

For completeness the definition of 'Cluster of entry or exit points' is also included in Article 3

'cluster of entry or exit points' means a homogeneous group of points or group of entry points or of exit points located within the vicinity of each other and which are considered as, respectively, one entry point or one exit point for the application of the reference price methodology;

Article 26

I have added emphasis to the parts of the article that I feel will need addressing as part of the Workgroup report especially in relation to FCC

1(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**.

Ofgem compliance letter

I think proposals will need to include some consideration of Ofgem's concerns underpinning three main EU TAR compliance concerns these include the following areas

- P7: The use of an “inflated” FCC value has a material impact on the capacity prices determined via the RPM
- P8: Regarding FCC – “... concerned with the undefined nature of the solution and governance of the process.”
- P6 : TAR NC makes no provision (explicit or otherwise) for a transition period as proposed by the UNC621 modifications: it will apply with full effect from 31 May 2019. That is not to say that a methodology could not be introduced incrementally where necessary;
- Annex : Regard for the principles used in the TCR
 - Reducing harmful distortions
 - Fairness to end consumers
 - Proportionality and practical considerations