



Potential Challenges of the TAR NC implementation

Energy Community Workshop, Budapest,
18 MAY 2017



Main topics of the Tariff Network Code

Main topics of the TAR NC

- General provisions
- Scope
- Reference price methodologies
- Reserve prices
- Reconciliation of revenues
- Pricing of Bundled capacities and capacity at the VIPs
- Clearing price and payable price
- Consultation
- Publication
- Incremental capacities
- Final provisions

Principles of the TAR NC

- Revenue equivalence principles
- Cost reflectivity
- Non-discriminativity
- Minimization of cross-subsidies
- Transparency

Implementation challenges

Cost recovery as one of the general questions of TAR NC implementation

What transportation costs should be recovered?

What stakeholders are these costs recovered from?

Entry-exit system



Tariffs should be:

- Cost reflective
- Minimise cross-subsidies
- Non-discriminatory



Scope: IPs vs. nonIPs, as a main defining factor

CAM NC: IPs

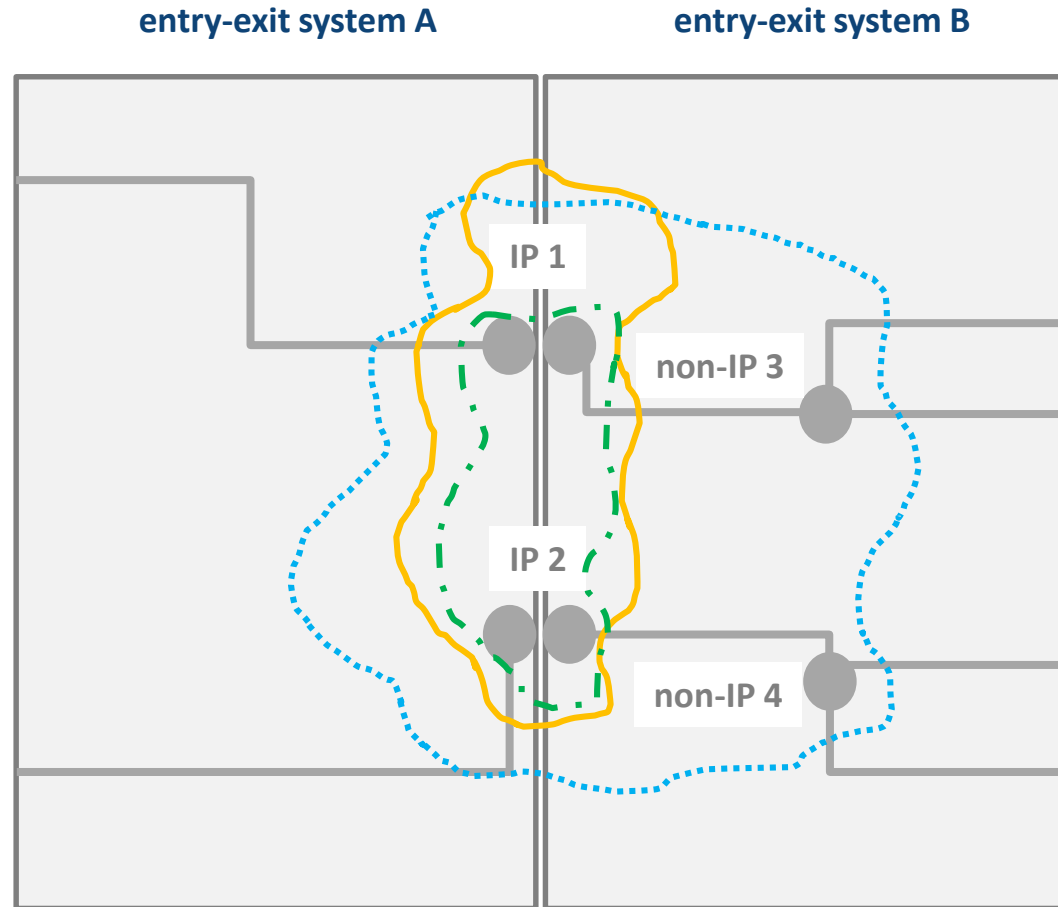
connect adjacent entry-exit systems
or entry-exit system and
interconnector

TAR NC: broader scope

• **partly** to IPs and non-IPs –
‘broader scope’ rules

partly to IPs only –
‘limited scope’ rules:

- Chapters III, V, VI, IX on reserve prices, clearing and payable price, pricing of bundled capacity, pricing at VIPs, INC
- Articles 28, 31(2)-(3) on consultation on discounts, multipliers and seasonal factors, publication on ENTSOG TP



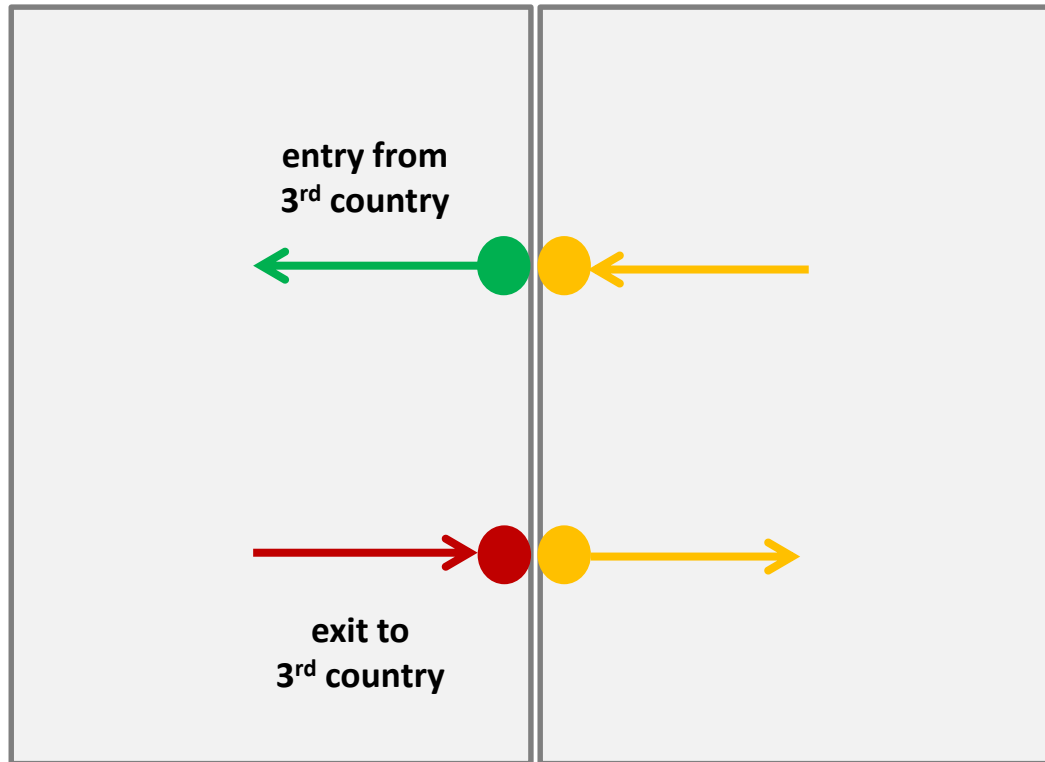
Scope: application to 3rd country points



Green/red points

'broader scope' rules apply by default; and 'limited scope' rules apply automatically if NRA decided to apply CAM NC at these points

...note CAM and CMP: '**may**... apply'

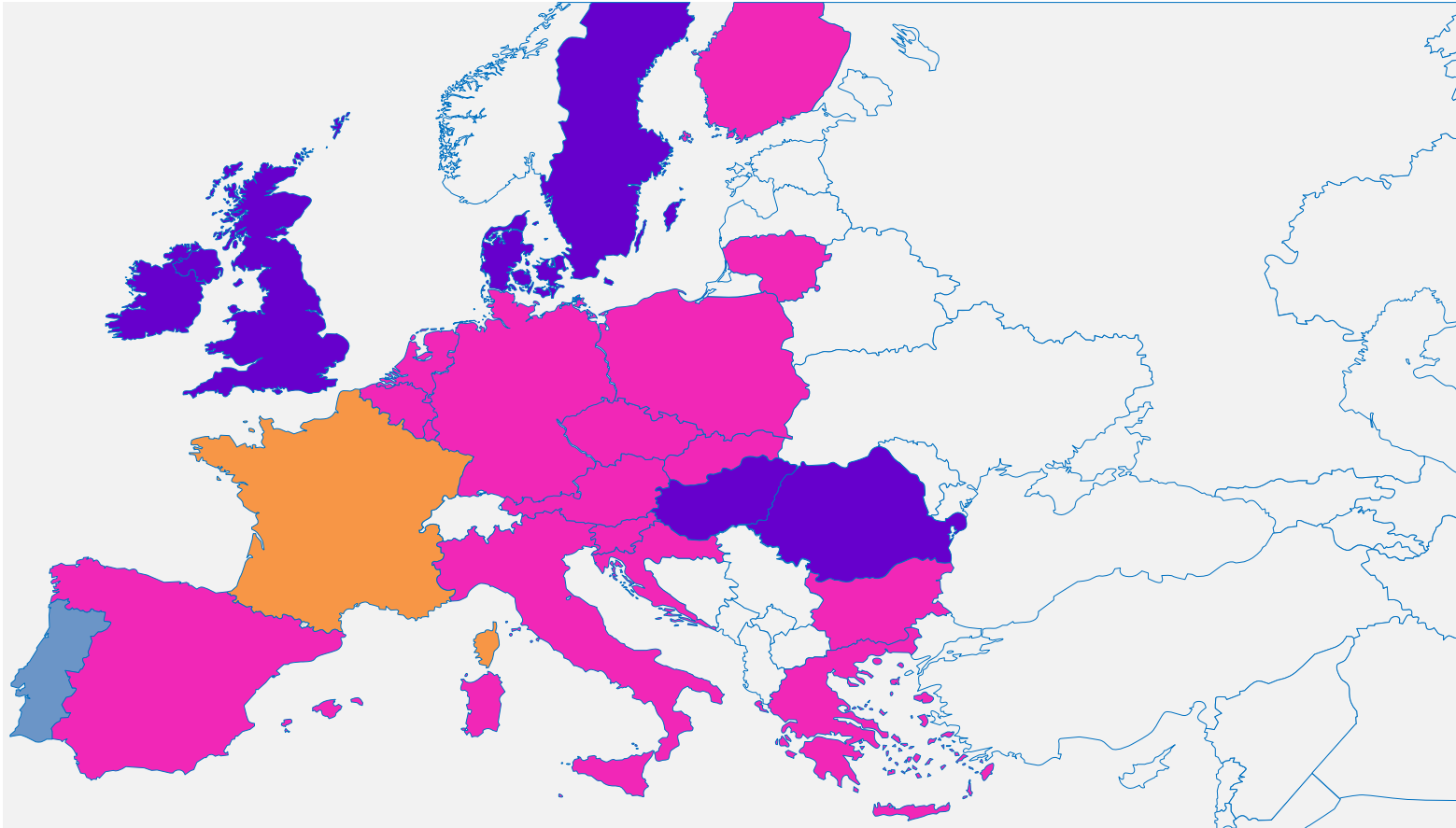


Yellow points

distinction between Energy Community and other countries

...note Ministerial Council Decision of 6 Oct 2011: '**shall endeavour** to apply'

European-wide difference in tariff periods



January-December

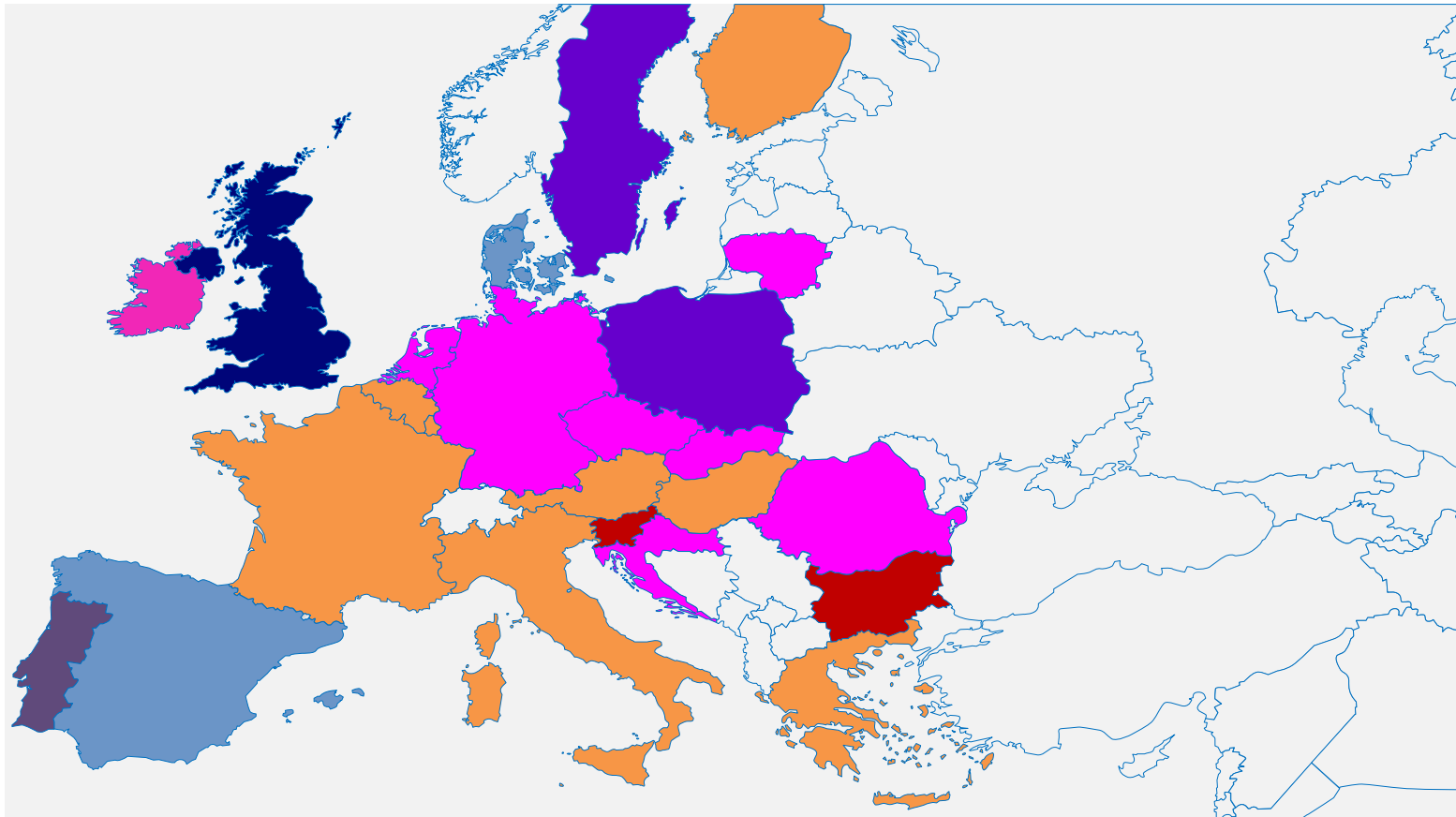
April-March

July-June

October-September

* In HU, the tariff period will change from January-December to October-September as from 2017

European-wide difference in regulatory periods



1 year **3 years** **4 years** **5 years** **6 years** **8 years**

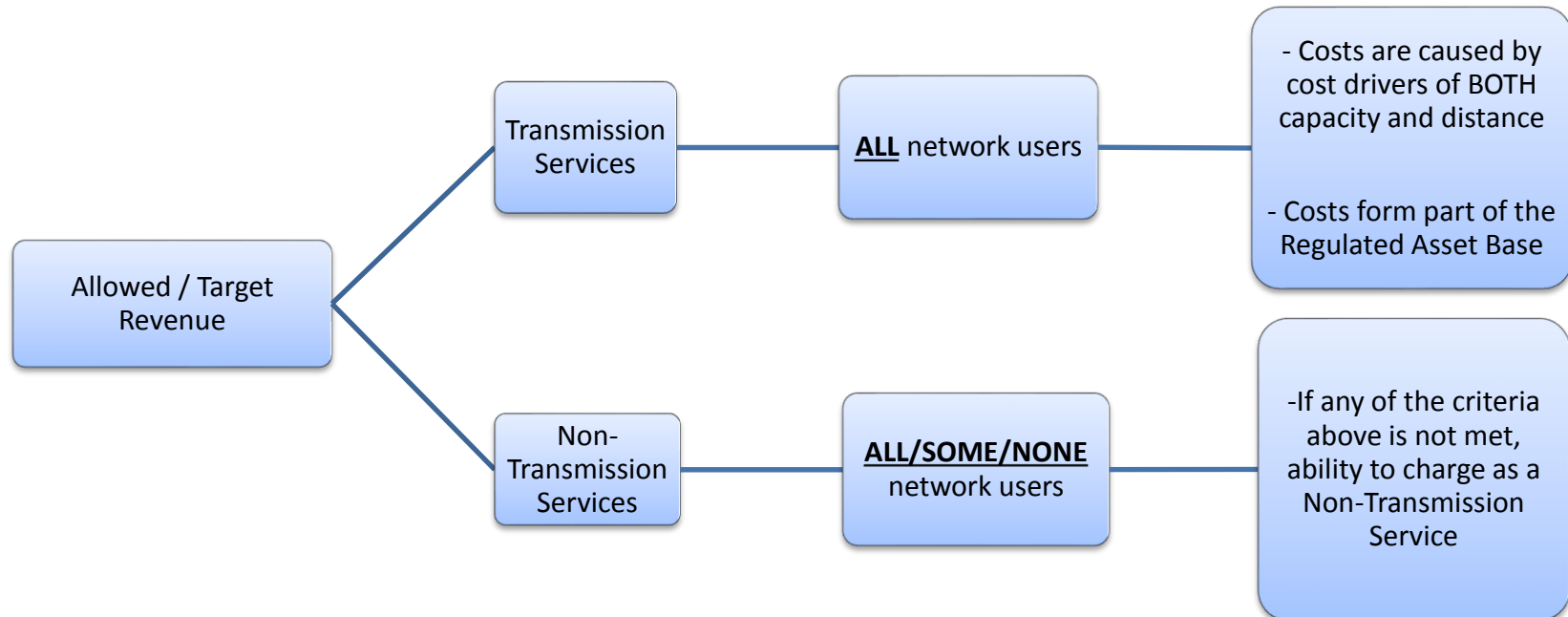
- * In GR, the regulatory period is 2 years for years 2017-2018
- * In BG, the current proposal under NRA approval is 3 years (can be 3-5 years)
- * In NL, the current proposal under NRA approval is 5 years
- * In UK, only the regulatory period applied for National Grid is shown
- * In CZ, the current regulatory period is 3 years for 2016-2018

Transmission vs non-transmission services

Transmission tariffs are derived from the cost of the transmission services of a TSO?

Recovery via capacity tariffs (by default) but exceptions exist

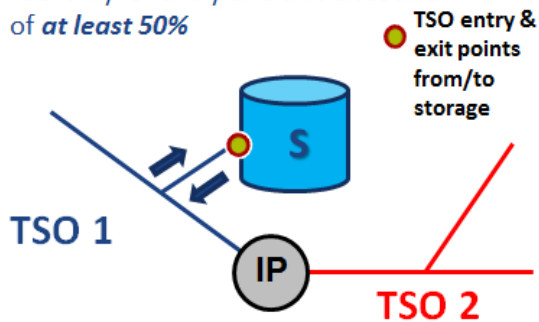
Non-transmission tariffs may not apply to any network users or just some network users and therefore do not form part of the price the user pays for capacity (i.e. the reference price) ? No requirement on type of tariffs (capacity or other)



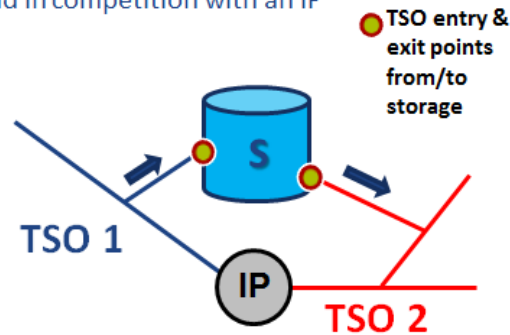
TAR NC creates a positive competition for TSOs in the form of Storage and LNG discounts

Storage points

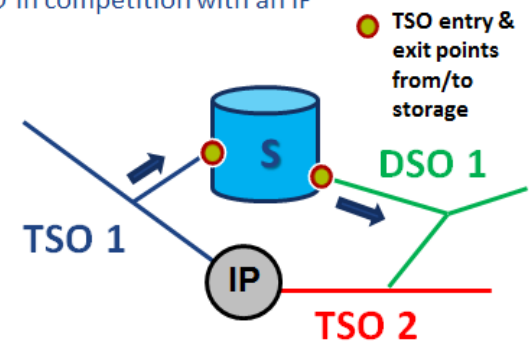
Default rule: storage connected to 1 TSO only → entry and exit discounts of *at least 50%*



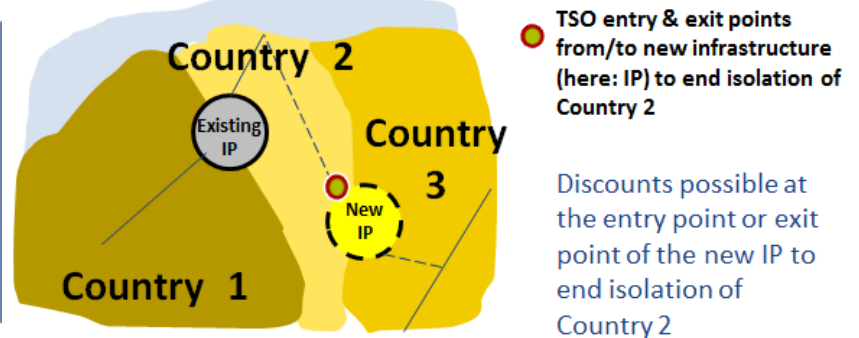
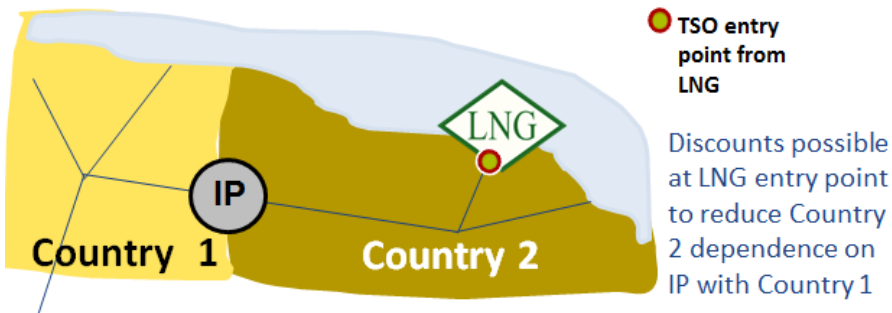
Exception 1: storage connected to 2 TSOs and in competition with an IP



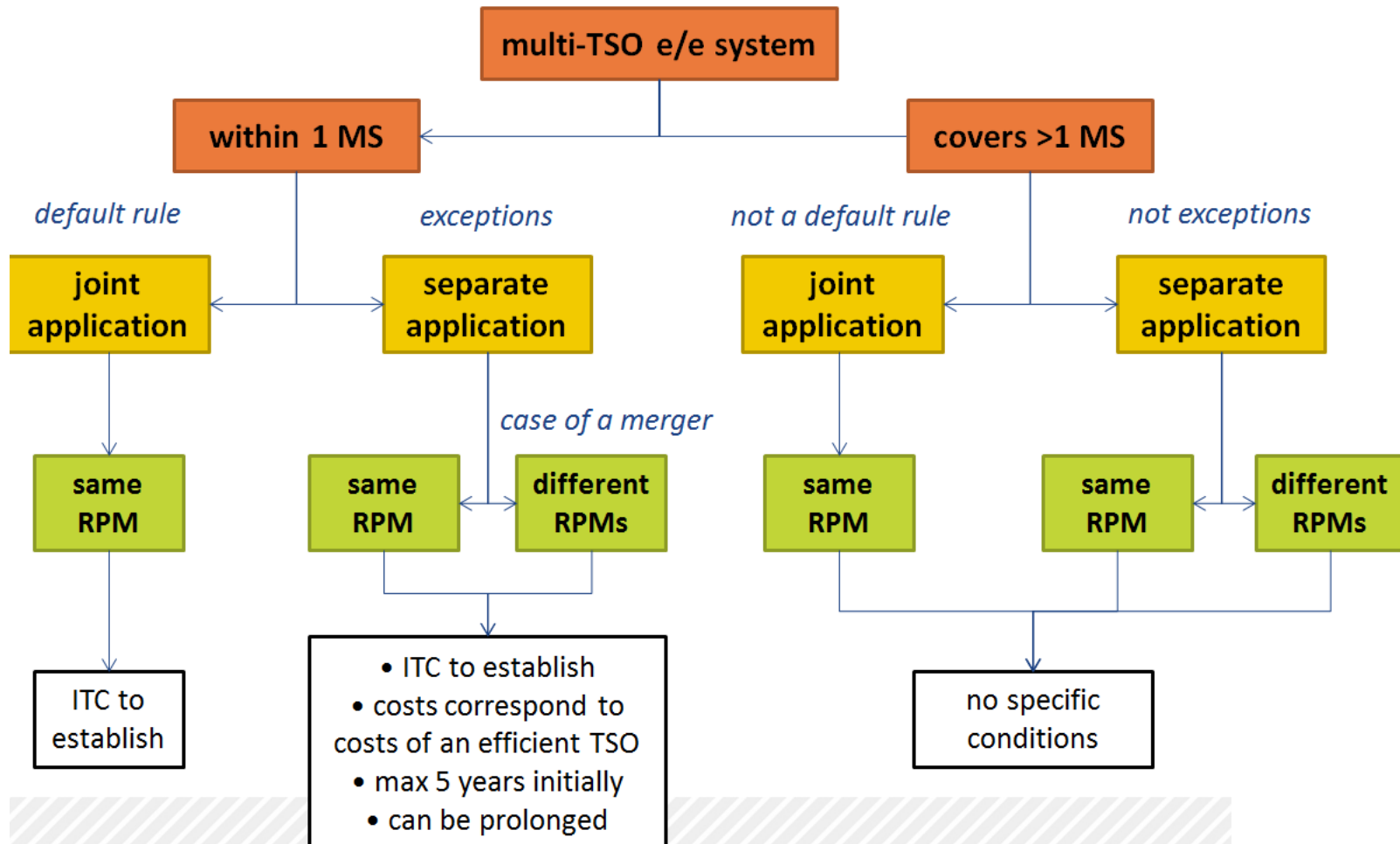
Exception 2: storage connected to 1 TSO and 1 DSO in competition with an IP



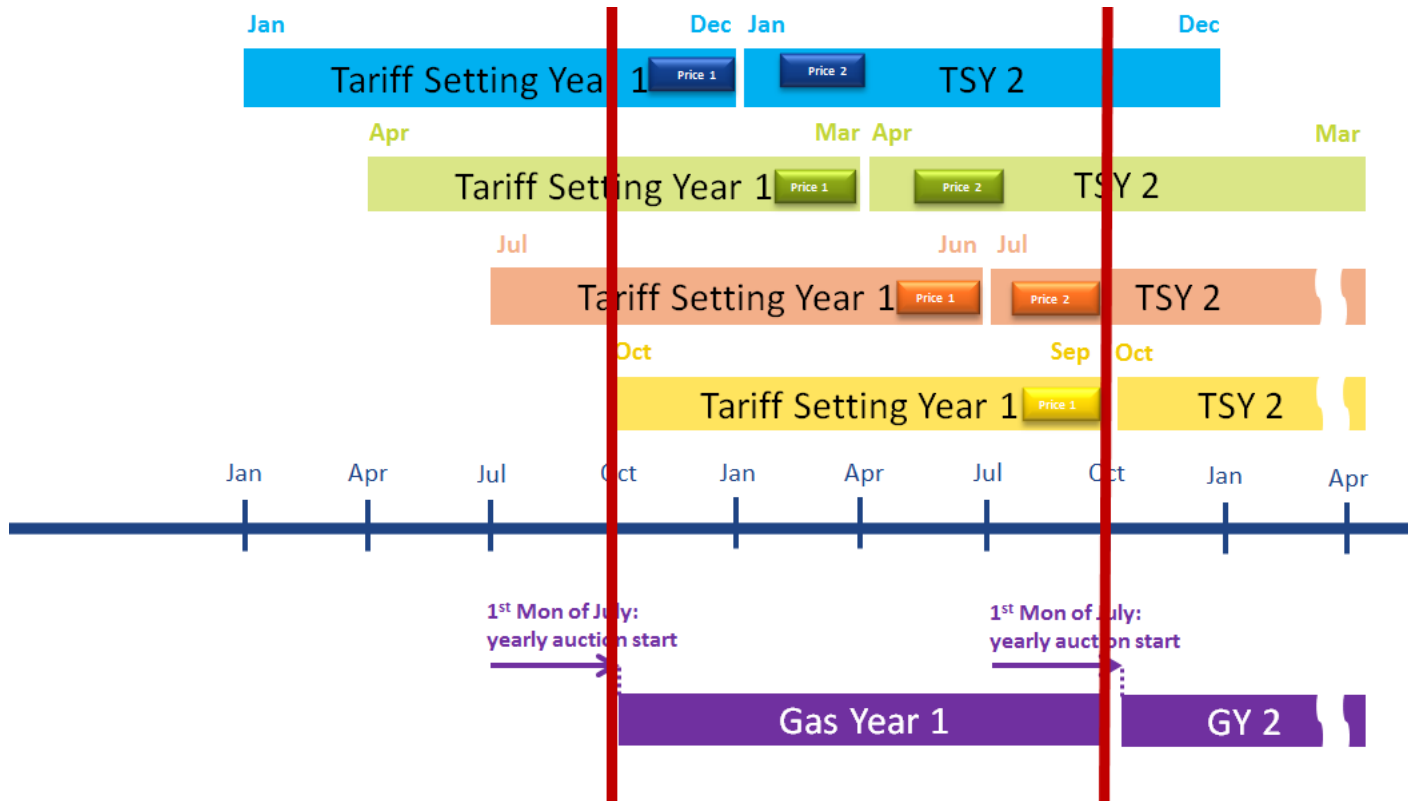
LNG entry points and other points to infrastructure to end isolation of MSs for SoS purposes



Multi TSO environment requires a special ITC mechanism



Defining reserve prices in a „multi-year” environment



Applying multipliers and seasonal factors can fundamentally change the behavior of NUs

Challenges in case of multipliers

- Multipliers and seasonal factors are about to increase liquidity and short-term trading
- Long term investment of TSOs vs short term trading
- Mandatory decrease of multipliers can result in decreasing revenue of TSOs



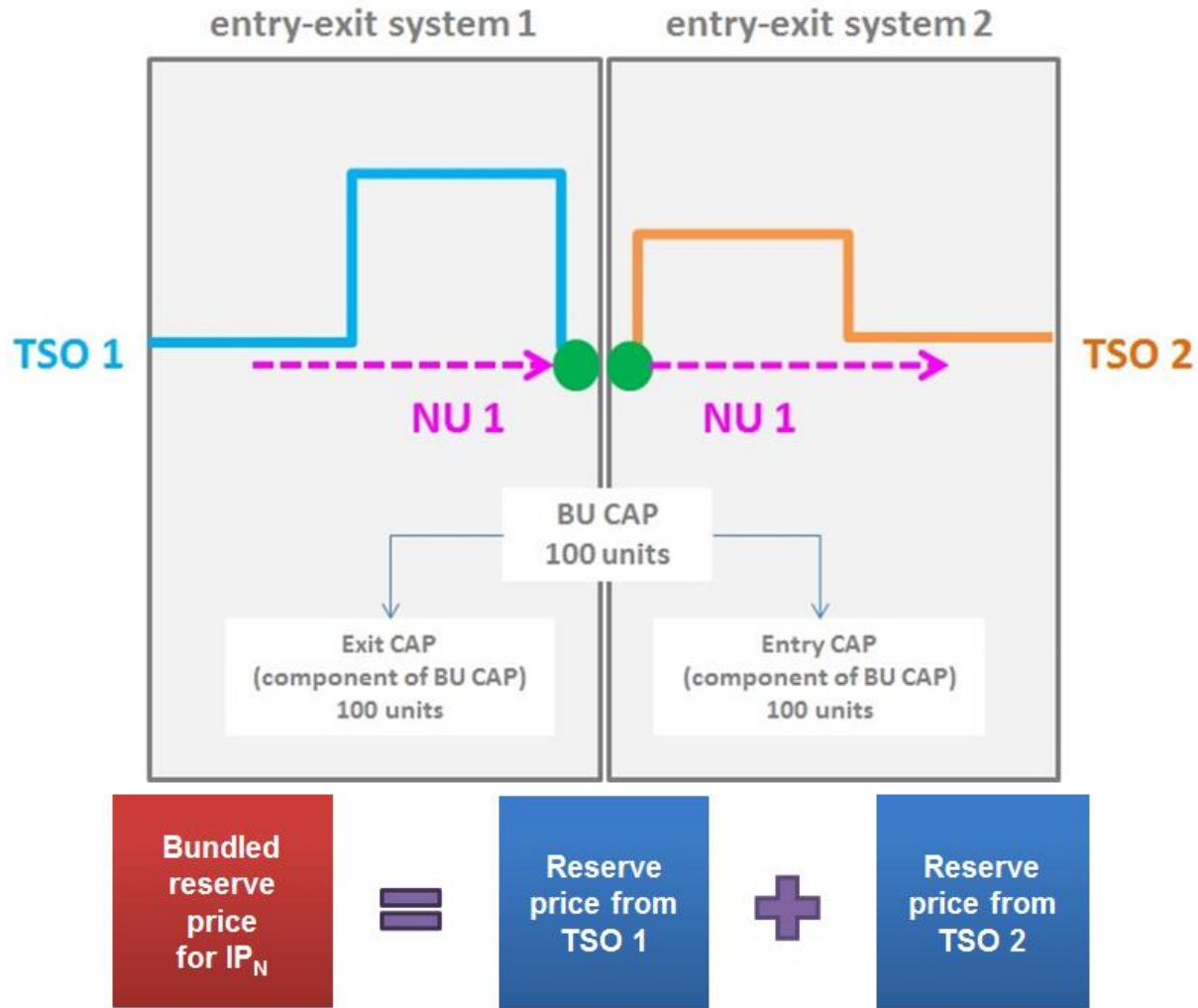
Regulatory accounts need to be established and applied in a proper way to secure revenue equivalence principles



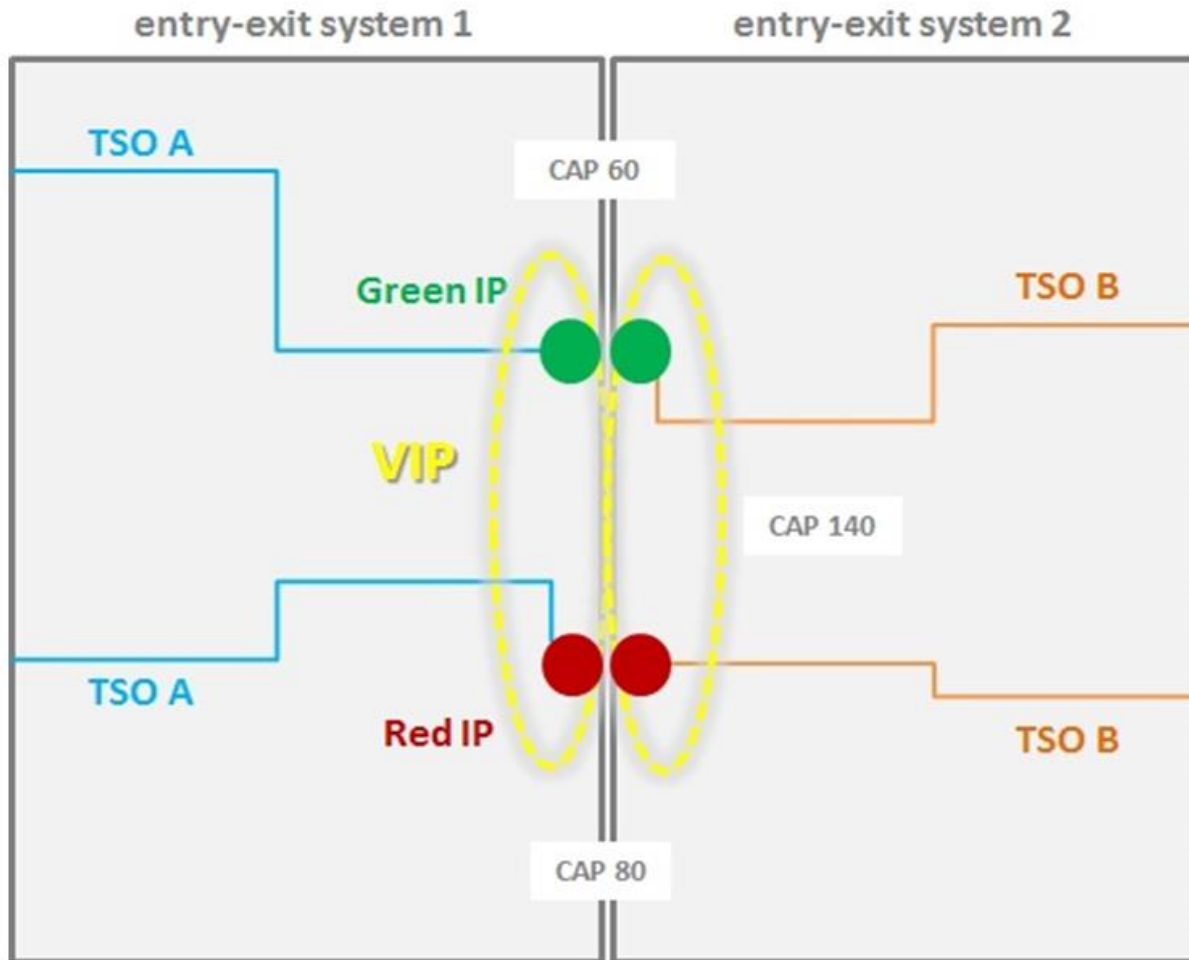
How to apply full/partial reconciliation

- It should be in accordance with the RPM, and the CRRC (if any)
- It refers to a given 'reconciliation period', over which the regulatory account is settled
- The general aim is to reimburse the TSO for under-recovery and to return the over-recover to network users

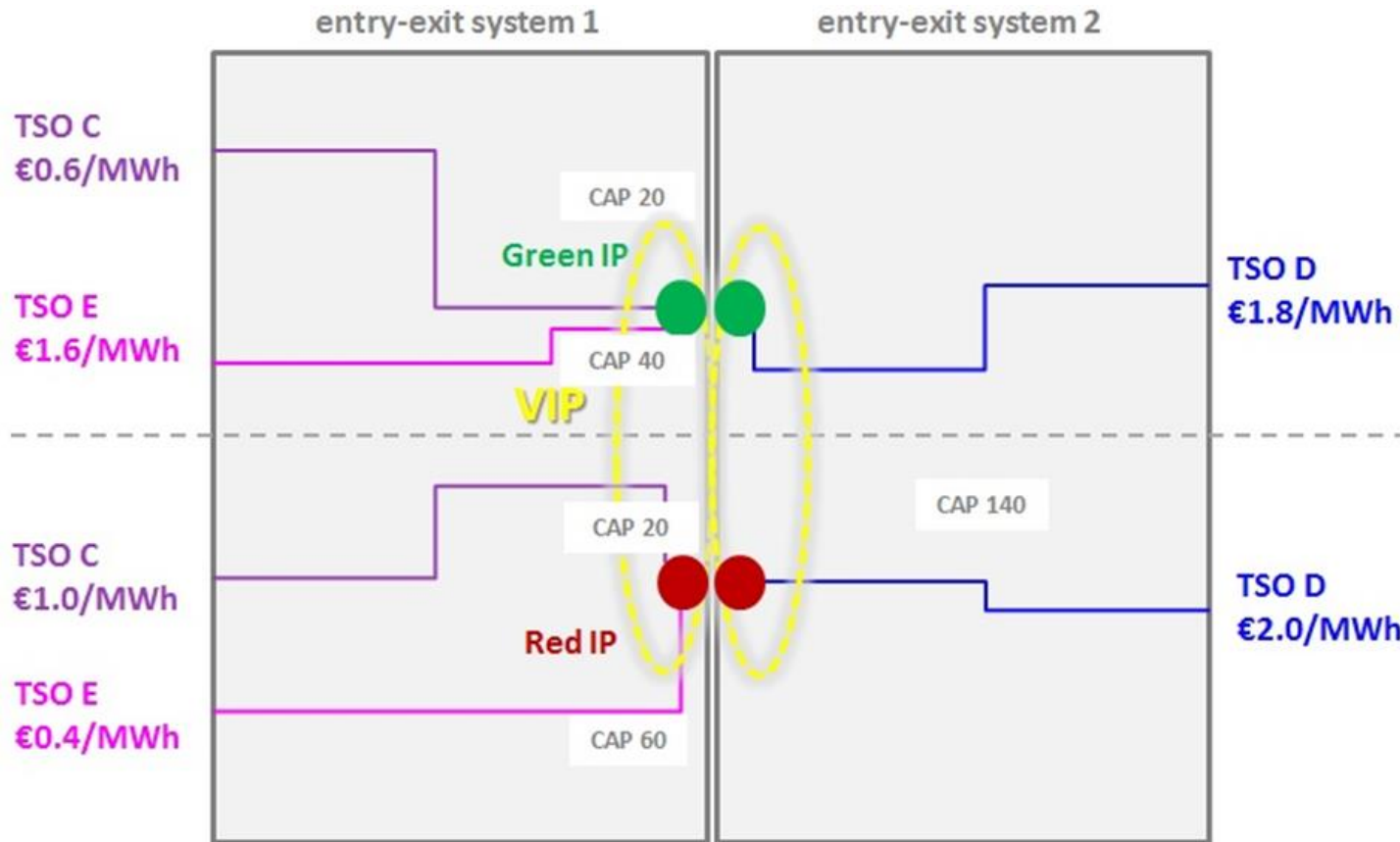
Pricing of Bundled capacities



Pricing at the VIP can be challenging for TSOs



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Definition of reserve price under different regimes

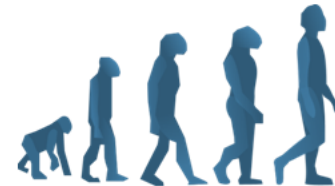
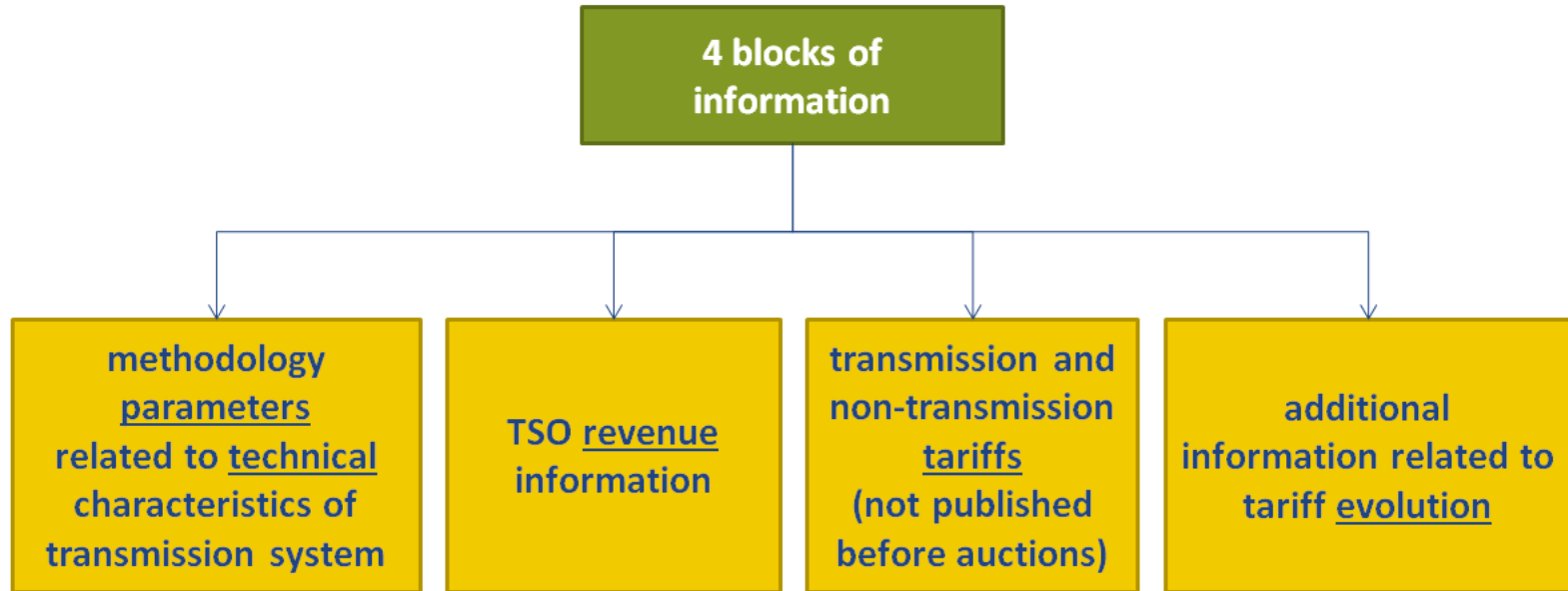
Non-price cap regime

- If **existing capacity only is offered** → only **floating** payable price is possible
- If **incremental capacity is offered (with or w/o existing)** → **floating** payable price is possible, but **fixed** payable price also possible if 1) alternative allocation mechanism (open season) is used, or 2) incremental project is on PCI list

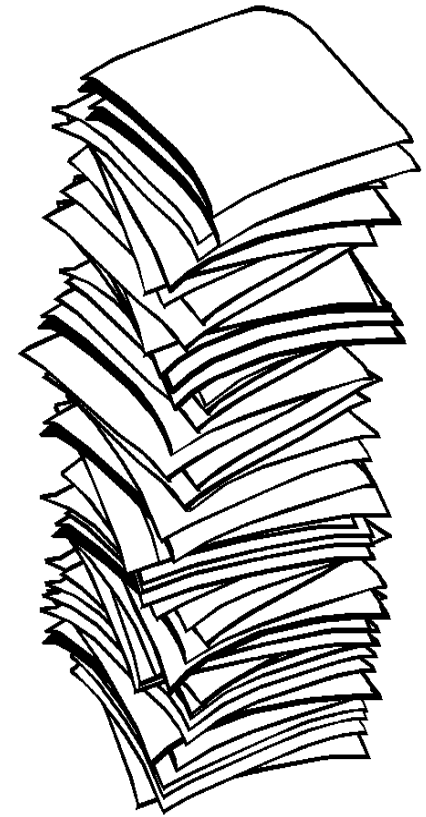
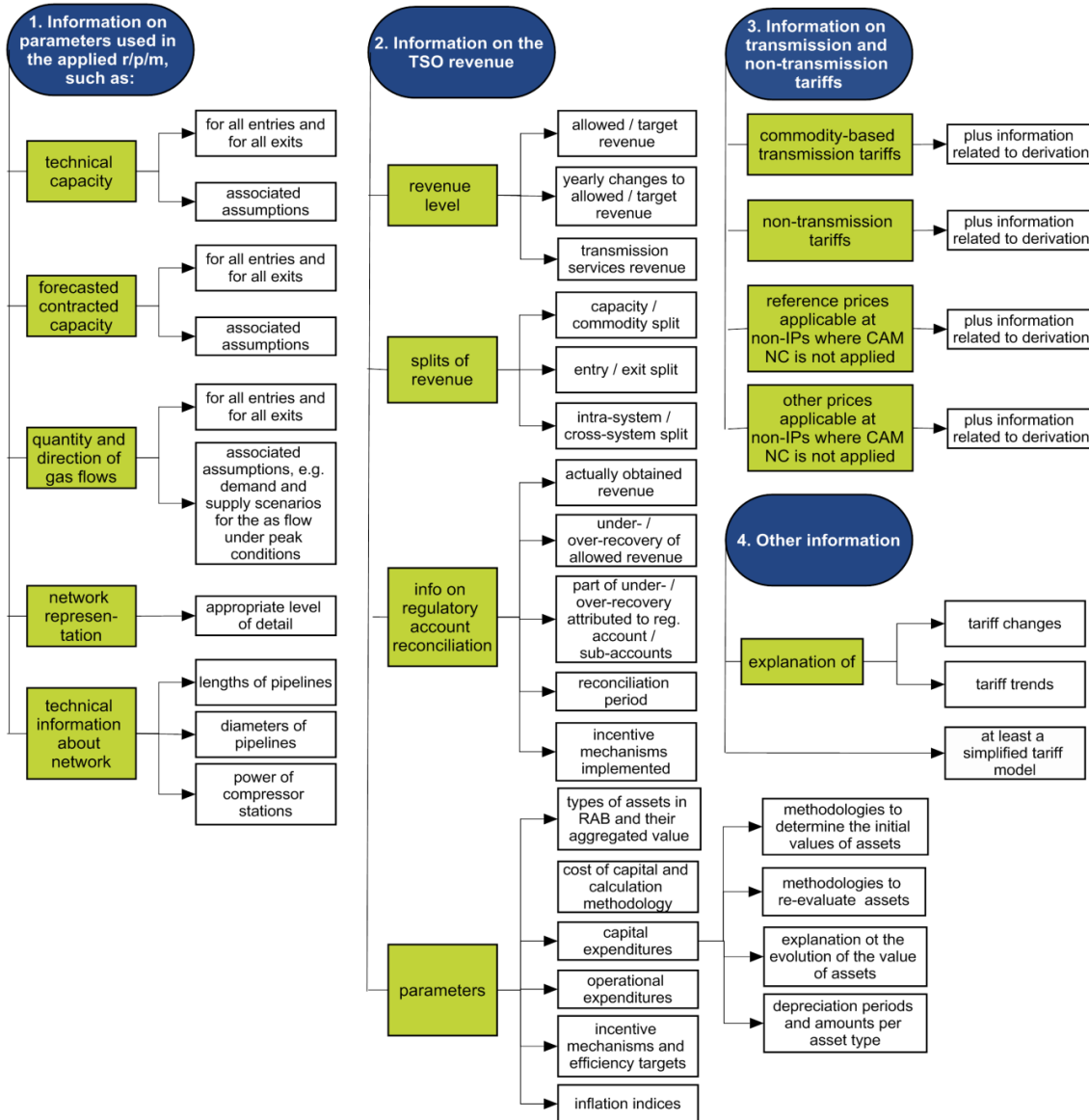
Price cap regime

- Regardless of existing/incremental capacity, **floating or fixed** payable prices (or a combination thereof) are allowed

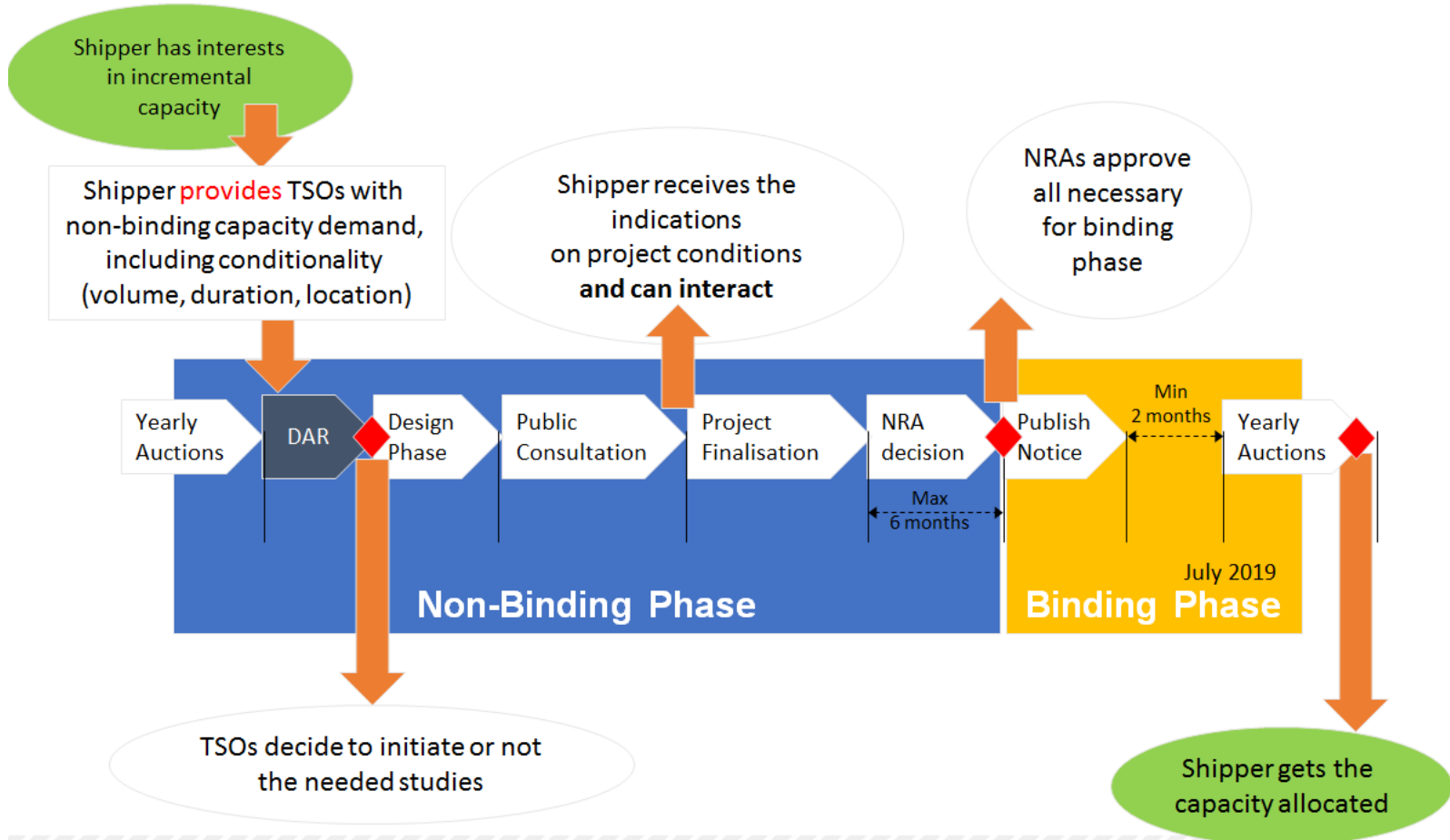
What to publish by TSOs/NRAs?



Publication of sensitive information is challenging for TSOs/NRAs



Pricing of incremental capacities



Thank you for your kind attention!

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