

1st ACER Webinar on Gas Transmission Tariffs

1 September 2020 from 15.00 to 16.00

Has the
gas tariff
network code
improved transparency?

- The NC TAR was adopted on 16 March 2017. It became fully applicable on 31 May 2019 (parts of the code have been applicable since 5 April and 31 October 2017).

The NC TAR is now implemented across Europe. ACER issued several reports and analysis:

- 1 implementation monitoring report ([here](#))
- 31 analysis on the national tariff consultation documents ([here](#))
- A report on the determination of TSOs' allowed revenues ([here](#))

To conclude this first round of implementation, the Agency organises 3 webinars dedicated to different angles of the NC TAR:

- 1st webinar (today): Transparency
- 2nd webinar (8 Sept. from 3 to 4 pm): Cross-subsidies
- 3rd webinar (15 Sept. from 3 to 4 pm): Energy transition

- First part – 30 minutes
 - » Introduction (by the Agency)
 - » Presentation of Eurogas
 - » Presentation of ENTSOG
- Second part – 30 minutes
 - » Q&A between the audience and the speakers

- **Transparency was one of the main concerns** expressed by stakeholders during the elaboration of the NC TAR in order to:
 - » Improve the **predictability** of future tariffs
 - » Better **justify** the tariffs (both in terms of underlying costs and their allocation)



- To meet this request, the NC TAR has raised the transparency requirements:
 - » **Standardised processes** (consultation and decision making) allowing stakeholders to share their views with NRAs
 - » A **common set of criteria** to justify each reference price methodology
 - » **Mandatory data to be published** in the consultation document and in the tariff decision

- A largely **satisfactory outcome**:
 - » The Agency found out in its reports that tariff transparency has improved across Europe.
 - » Most of the NC TAR requirements are fulfilled (in particular public consultations – with exception).

1. The justification of the choice of cost drivers and the RPM is not always sufficient:
 - **Policy and regulatory objectives** are not always clearly laid out;
 - A **description of the network** is not always provided.

2. Trade-offs between **cost-reflectivity vs transparency** are not always assessed appropriately.

3. Some final consultations are incomplete (and 1 seems to be missing). **The more complex is an RPM, the more transparency** is necessary to assess it.
 - E.g. volume risk premia, Inter-TSO compensations...
 - The simplified tariff models published by NRAs or TSOs do not always reflect these complexities.

- The Agency would like to thank Eurogas and ENTSOG for accepting our invitation to contribute to this webinar.
- The Agency hopes that this debate will allow to discuss potential further transparency improvements:
 - » At national level by NRAs or TSOs;
 - » At European level (e.g. additional transparency requirements, new publications by ENTSOG or the Agency...).



ACER TAR NC Webinar | Transparency

Online - 1 September 2020

Wholesale Market Committee

ACER Contribution



Report on the methodologies and parameters used to determine the allowed or target revenue of gas transmission system operators

Fulfilling the requirement in Article 34 of the Network Code on Harmonised Transmission Tariff Structures for Gas



Methodologies and parameters used to determine the allowed or target revenue of gas transmission system operators (TSOs)

Final report

September 2018

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Document title: The internal gas market in Europe: The role of transmission tariffs

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The ACER report on the methodologies and parameters used to determine allowed revenues, the ECA study, the ACER report on the internal gas market, the ACER opinions on the individual tariff methodologies proposals have all contributed to enhancing transparency on the costs to move natural gas within the internal market confirming that this has been the main deliverable of the TAR NC

Enhanced transparency

it is not for players to decide what it is the most appropriate form of price control, still network users definitely need to know where costs come from

ACER Contribution



ACER has been very effective in issuing detailed opinions on NRAs proposal:

- i. Views from market players have generally been taken onboard
- ii. The interaction with NRAs has allowed in some cases further disclosure of information
- iii. The role of ACER in the process has facilitated the participation in national consultations of third countries industry associations

However, we have observed that:

- i. Only in one case ACER has deemed the proposed methodology invalid and recommended to issue a new proposal
- ii. In several other cases ACER noted that the information provided did not allow a proper compliance assessment but this did not lead to further clarification on the side of NRAs

Acting within the current legal framework, ACER contributed to enhance transparency pointing to areas where additional information was needed.

Yet, is the current legal framework sufficient to trigger actions in case of gaps?

An incredible information discovery exercise: what have we learnt?

Consultation timing and general process

- The TAR NC generally improved the process and the level of involvement of network users.
- NL offers a positive example of robust and timely consultation process, TSO provided adequate information, stakeholders' feedback was taken into account.
- In some cases consultations left insufficient time to stakeholders to respond (e.g. FR)
- In other cases repeated rounds of consultation with material differences in the proposals shared (e.g. on the level of indicative tariffs and/or the start date of the regulatory period) left stakeholders unclear about how the outcome was reached (e.g. AU) or increased tariff uncertainty and unpredictability (UK).

Data and information quality

- The TAR NC generally improved quality of information, still this is an area where there is scope for further improvement.
- Some of the assumptions used by NRAs were not sufficiently backed by analysis (e.g. AU, GER) and/or data and in some cases were difficult to reconcile with actual market dynamics (e.g. FR) or it was hard/long to have access to information on regulatory account utilization (BL)
- Not all published tariffs models allowed network users to replicate the tariff calculation (e.g. AU).
- In some countries, network users had no access to detailed data on TSOs' allowed revenues or had restricted access to consultations (e.g. AU).
- In others, the cost allocation between the infrastructure associated with cross-system and intra-system use (e.g. GER) or details on inter-TSOs compensation mechanisms implicit in the tariffs setting mechanisms (e.g. NL) were not complete or sufficiently transparent.

Risk Premium

- Risk premiums in general pose a challenge to the compliance with art. 13 of the Gas Regulation in that if not properly justified they may lead to lack of cost reflectivity and temporal cross-subsidies between present and future network users. Unfortunately, where present, level of transparency was generally low and justification was not provided (e.g. SL, AU).

Independence of NRAs

- Level of NRAs independence has increased in some countries with still some remaining open questions on the level of Government's involvement in the tariff setting process (e.g. Spain)

Way forward

Going forward access to raw data may not be sufficient, especially in the context of the energy transition and the role TSO may therein play:

Enhanced transparency

- Regulators decide on the most appropriate form of price control, network users need to know where costs come from
- Benchmarking on key parameters is essential to predict and compare the tariff levels. NB: identifying outliers does not necessarily mean blaming them;

Identification of outliers

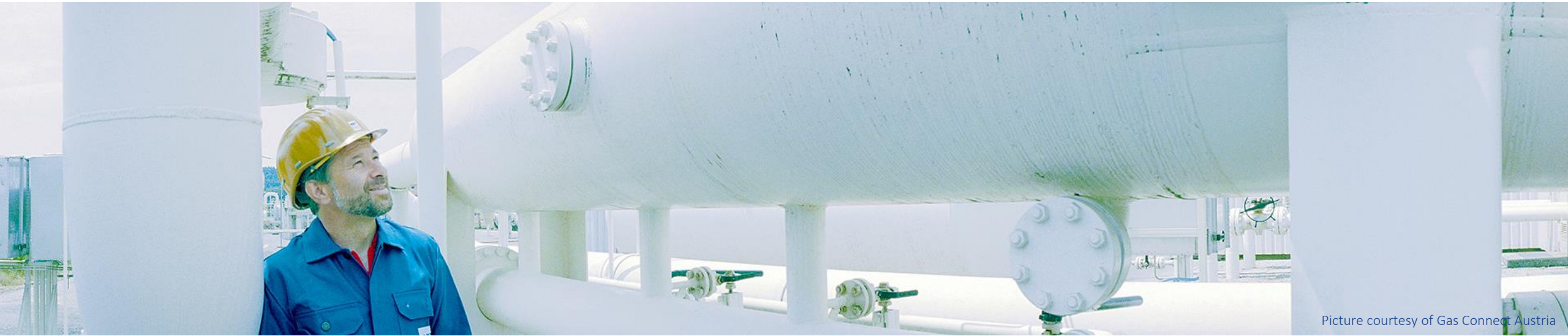
Further standardisation

- of publication requirements via the use of the ACER template and where possible of basic input, e.g. depreciation periods, WACC
- It is well understood that different TSOs have a different risk profiles, let's compare and clarify what's driving the differences

Benchmarking of TSOs revenues

ACER monitoring activities can go a long way into improving the level of transparency in the different markets. Some suggestions to further improve the TAR NC implementation process:

- ACER could issue binding guidelines
- NRAs' could be given an obligation to react to ACER's recommendations, i.e. adoption or rationale for taking a different view
- ACER could be involved early on difficult issues on request of NRAs/TSOs/network users
- ACER could be granted powers to address impact on cross-border trade and flows
- Level of disclosure of allowed revenues and cost-allocation should be improved



Picture courtesy of Gas Connect Austria

Tariff transparency obligation from a TSO perspective

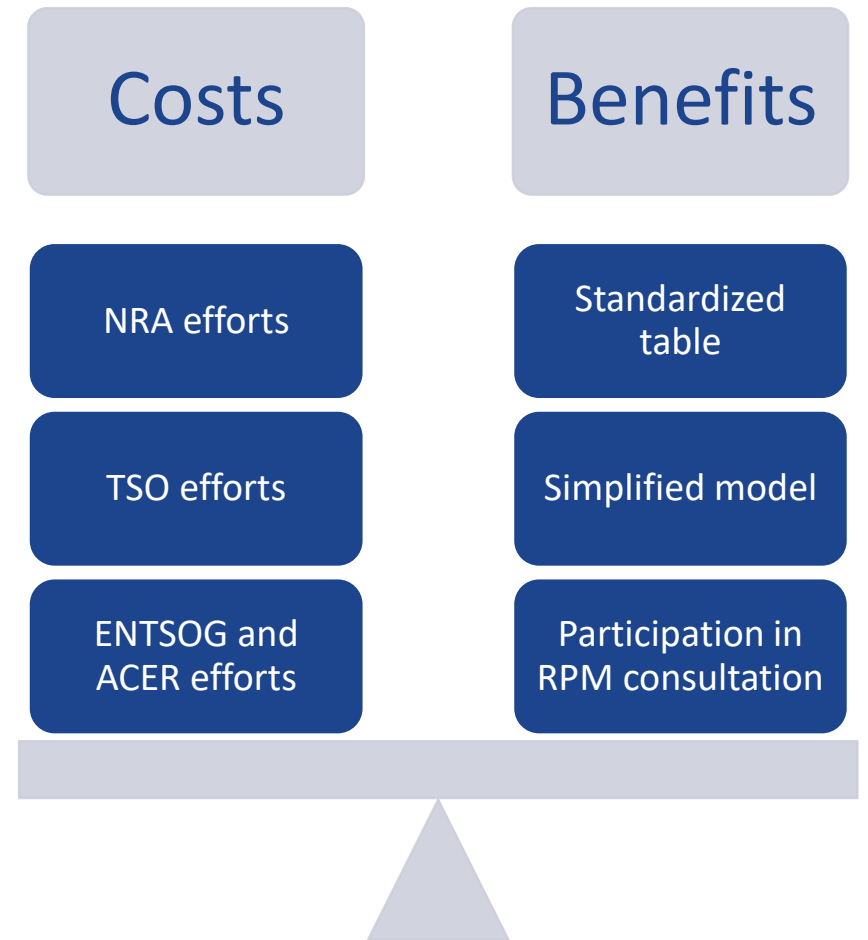
ONTRAS on behalf of ENTSOG

Tariff transparency before NC TAR

- Hopefully an easy to understand price sheet in English was available.
- In some, but not all countries, tariff methodology had been consulted – in national language.
- Tariffs were generally published at Transparency Platform, at least for IP.
- Eurogas intervention at SJWS 4 in 2014:
„It is still difficult to trust data and/or to understand what is happening at the system level“.

Tariff transparency after NC TAR

- NRA and/or TSO have to consult on RPM and explain their decisions
- Every TSO publishes:
 - Standardised table
 - Simplified tariff model
- ACER reports give a good overview on methodologies
- ENTSOG monitoring reports give a good overview on implementation and effect



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Q&A session

- Please submit your questions in the chat.
- To the extend possible, we will group similar questions.
- We will distribute them to the speakers.