

Agency Template for the consultation on the reference price methodology



EFET comments – 13 June 2017

EFET¹ welcomes the opportunity to comment on the template for consultation on the reference price methodology, which ACER intends to make available to NRAs/TSOs in accordance with Article 26.5 of the TAR NC.

The ability of stakeholders to participate in open, transparent and informed consultation processes on the reference price methodologies used to derive transmission tariffs in each of the EU gas markets they operate in is crucial to establishing trust in the tariff setting process. We therefore support ACER's attempt to create a harmonised template as this will serve as a valuable checklist against which NRAs/TSOs can verify that all of the substantive amount of information they are required to include in the consultation has been fully provided, as well as providing guidance on how certain information requirements should be interpreted.

In addition, it would enable stakeholders to easily reference the whereabouts of certain information in what may well be lengthy consultation documents and compare pertinent price methodology data (e.g. cost allocation assessments, storage discounts) across markets. Whilst NRAs and TSOs are not legally obliged to use the template or publish it once completed, we very much hope they will, recognising the benefits this will have for ACER, themselves and stakeholders. In this regard we see the template as fulfilling a similar role to that of the storage and LNG templates published on the GSE and GLE websites. These help provide transparency and consistency around pertinent storage and LNG information and are now widely used and appreciated.

The template is in English and so will also encourage NRAs/TSOs to publish the consultation in English, which they are required to do "to the extent possible". Failure by NRAs/TSOs to consult in English will seriously undermine the key benefit to stakeholders arising from the TAR NC and is likely to be considered an act of bad faith. The template appears to include all the information required to be published under Article 26 of the TAR NC and seems relatively easy to complete, however, it does not

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

refer to information NRAs/TSOs are required to publish under Article 30.1(b) of the TAR NC. Whilst such information on the parameters of a TSO's regulatory settlement is not part of the consultation process it is equally crucial to establishing trust in the tariff setting process. We consider it inexcusable that throughout most of Europe the information which determines the amount of revenue a monopoly TSO business is legitimately entitled to recover from its captive customers is either not made published, or published with insufficient detail or clarity.. So it is imperative that ACER also provides a template and guidance on how such information should be published so as to make it clear how TSOs' allowed revenues have been derived and that TSOs are encouraged to use it.

Ideally, such a template should allow the exact computation of TSOs' allowed revenues from the input parameters decided by the NRAs. But it should at least allow shippers to understand the quantitative impact of the different parameters (WACC, amortization rules, RAB, investment incentives, inflation rates, RAB review, reconciliation period of the regulatory account etc.) on the allowed revenue.

Finally, throughout the TAR NC development process we have repeatedly stressed the importance of TSOs providing regularly updated tariff models that enable network users to replicate how prevailing tariffs are calculated and to estimate their possible evolution. Happily, this obligation is now included in the TAR NC (Article 30.2(b)) and we look forward to the release of such models in the coming year. However, as part of the consultation process NRAs/TSOs are required to compare prices derived under their chosen methodology with those derived from the capacity weighted distance methodology (CWD) as described in Article 5, unless their chosen methodology is CWD. In our view there would be considerable merit in ENTSOG/ACER publishing an agreed generic CWD tariff model that complies strictly with Article 5. This could be used by all NRAs/TSOs as the basis for price comparisons (or publication in the event CWD is the chosen methodology) they are required to include within the consultation. That way NRAs/TSOs could be sure they have interpreted CWD correctly and ACER could be sure that the CWD price information included in each national consultation is consistent. Creating a generic model that would accommodate the requisite number of entry/exit points in each country and against which country specific capacity values and a matrix of distances could be entered may not be straightforward. However, we believe it should be achievable bearing in mind the IT and modelling expertise that exists within ENTSOG's and ACER's respective memberships. The CWD model recently published by National Grid as part of the UK TAR NC implementation project could be a useful starting point for developing such a generic model and should be explored further.

Our response is not confidential and should you wish to discuss it in more detail please do not hesitate to contact us.