

[GAS Network Codes Functionality Platform](#)

REPORTED ISSUE ID: 05/2018.
Ex-post interruptible capacity
discounts

Reported by: EFET
Status: SOLVED

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REPORTED ISSUE ID: 05/2018. Ex-post interruptible capacity discounts

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ISSUE DETAILS

ABSTRACT

Article 16.4 allows NRAs to apply ex-post discounts under certain circumstances. The Article sets the level of ex-post compensation at three times the reserve price for daily firm products, for each day when an interruption occurs.

ENTSOG proposes that ex-post compensation should apply proportionately to the capacity interrupted on an hourly basis, that NRAs may allow this, and that NRAs may also determine a cap on the reimbursement amount.

This interpretation does not adequately compensate shippers for capacity interruptions, and does not properly incentivise TSOs to avoid interruptions – especially where they may span over the change in a gas day.

Category: European

REPORTED ISSUE

EFET opposes ex-post interruptible capacity discounts as they compromise traders' risk-reward decision-making and disincentivise TSOs from offering firm capacity, to the extent that interruption is a "free option". We reluctantly accepted ex-post discounts as an alternative, on the basis that their use would be restricted and proportionate compensation would be payable for interruption. Such compensation should be set at a level that reflects the potential loss traders incur from being imbalanced in the relevant upstream and downstream transmission systems. NRAs should set ex-ante discounts instead.

ENTSOG's arguments for the calculation of ex-post discounts are spurious. Firstly, the reference to "actual interruption occurred" is irrelevant as this simply refers to the timing of compensation payments, not to the level of compensation as stated in the second paragraph of 16.4. Secondly, ENTSOG stresses cost-reflectivity, whereas the article refers to compensation (i.e. an estimate of potential loss). In any case, interruptible capacity is not auctioned in hourly products. Thirdly, any cap on total reimbursement could lead to network users receiving insufficient compensation for losses should TSOs frequently call interruptions and reach the cap. Finally, compensation will not detrimentally affect TSOs' ability to recover cost in allowed revenue regulatory regimes.

CONCERNED ENTITIES

Network Code / Guidelines concerned:

Network Code on Harmonised Transmission Tariff Structures for Gas, Commission Regulation (EU) 2017/460

Member State(s) concerned:

- Austria
- Czech Republic
- Hungary
- Poland
- Romania

- Slovakia
- Slovenia

IP(s) concerned:

None selected

NOTIFIED PARTIES

Informed NRA(s):

None selected

Informed TSO(s):

None selected

SUGGESTED ACTIONS

Who should act:

- ACER
- ENTSG
- INVOLVED_NRAS
- INVOLVED_TSOS
- OTHER

Suggested solution or action:

- Adjustment of implementation

Other suggestions: Ex-post interruptible capacity discounts not in accordance with the Tariff Network Code are currently being used by TSOs in a number of Member States. ENTSG's misrepresentation of how these should be applied opens the door for more TSOs to seek NRA approval to use them. ACER appears to share our interpretation of how ex post discounts should be applied. The European Commission should urgently issue an opinion on this issue. ENTSG should amend the IDoc to reflect this opinion and ensure that any ex-post discounts reflect the provisions of Article 16.4. Additionally, the use of ex-ante or ex-post and the level of discounts must be consulted in accordance with the requirements of Article 28.1(c).

SOLUTION

ENTSG will update the TAR NC Implementation Document (IDoc). What is currently written in the IDoc regarding ex-post compensation and the accompanying annex will be removed and replaced with the following sentence:

- 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. The level of ex-post discount is subject to NRA approval in accordance with the process outlined in Article 28.

The IDoc is currently being worked on for minor amendments (e.g. typos, factual mistakes).

The updates in the IDoc in relation to this issue will be done at the same time, the process should be completed by the end of Q3 / start Q4 2018.

Solution publication date: 2018-07-05

DOCUMENTS

ISSUE SUPPORTING - Concerned IPs

SOLUTION - Issue Solution Note

<u>IP</u>	<u>Ref</u>	<u>TSO</u>
BAUMGARTEN	21Z000000000163R	GCA
BAUMGARTEN	21Y---A001A023-Y	Eustream
BAUMGARTEN	21Z0000000000600	GCA
BAUMGARTEN	21Z000000000164P	TAG
MOSONMAGYAROVAR	21Z000000000003C	GCA/FGSZ
MURFELD	21Z0000000000058	GCA/Plinovodi
OBERKAPPEL	21Y---A001A012-4	GCA
UBERACKERN	21Z000000000002E	GCA
UBERACKERN	21Z0000000001240	GCA
TARVISIO	21Z000000000004A	TAG
DRAVASZERDAHELY	21Z000000000249H	FGSZ
BRANDOV (STEGAL)	21Z000000000091Q	Net4Gas
BRANDOX (OPAL)	21Z000000000242V	Net4Gas
CESKY TESIN	21Z000000000239K	Net4 Gas
HSK (DEUTSCHNEUDORF)	21Z0000000000228	Net4Gas
HSK (OLBERNAU)	21Z000000000092O	Net4Gas
LANZHOT	21Z000000000061Z	Net4Gas/Eustream
WAIDHAUS	21Y---A001A015-W	Net4Gas
CSANADPALOTA	21Z000000000236Q	FGSZ/Transgaz
CSANADPALOTA	39WKECSANAD1IIN2	FGSZ/Transgaz
GUBIN	21Z000000000089D	Gaz System
LASOW	21Z000000000057Q	Gaz System
MALLNOW	21Z000000000056S	Gaz System
RUSE		Transgaz
VELKE ZLIEVCE		Eustream
SEMPETER	21Z000000000044Z	Plinovodi
ROGATEC	21Z000000000128T	Plinovodi

Gas Network Codes Functionality Process Issue Solution

Issue details	
Number:	501-18-03-05-1749
Name:	Ex-post interruptible capacity discounts
Reporting party:	European Federation of Energy Traders
Network Code / Guidelines concerned:	Network Code on Harmonised Transmission Tariff Structures for Gas, Commission Regulation (EU) 2017/460
Article of the Network Code / Guidelines	16.4
Category:	European issue
Abstract:	
Article 16.4 allows NRAs to apply ex-post discounts under certain circumstances. The Article sets the level of ex-post compensation at three times the reserve price for daily firm products, for each day when an interruption occurs. ENTSOG proposes that ex-post compensation should apply proportionately to the capacity interrupted on an hourly basis, that NRAs may allow this, and that NRAs may also determine a cap on the reimbursement amount. This interpretation does not adequately compensate shippers for capacity interruptions, and does not properly incentivise TSOs to avoid interruptions – especially where they may span over the change in a gas day	

Issue solution(s)	
Publication date:	5 July 2018
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The IDoc is currently being worked on for minor amendments (e.g. typos, factual mistakes). The updates in the IDoc in relation to this issue will be done at the same time, the process should be completed by the end of Q3 / start Q4 2018.