



Tariff Network Code

GIE view at current status

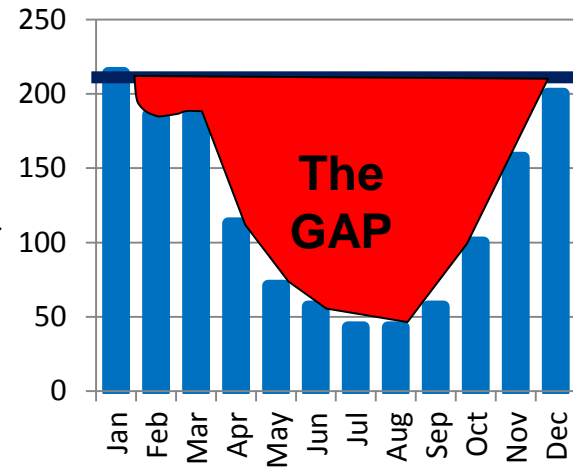
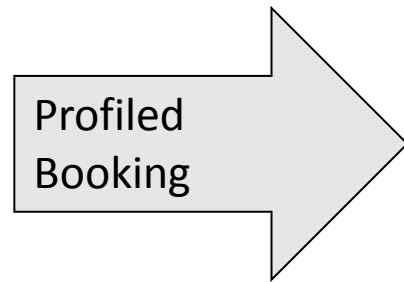
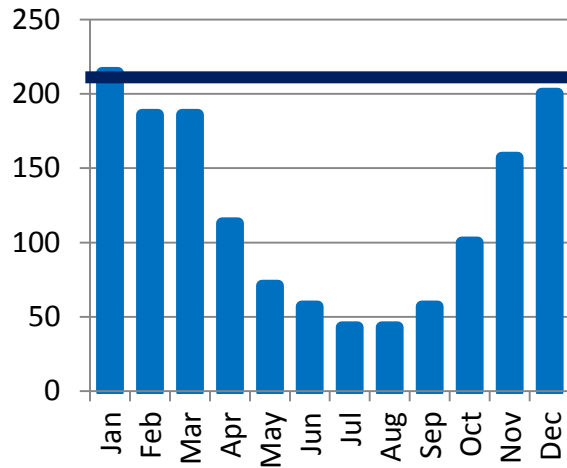
**Philipp Daniel Palada: ENTSOE WS on 09 April
2014**

Marginal cost-approach for non physical backhaul capacity delivers unintended signals

- From network user's perspective, reasons for interruption do not matter, consequently the risk to be interrupted shall also be the price setting criterion for non physical backhaul
- Non physical backhaul requires the use of firm forward flow capacity
- Where non-physical backhaul and physical reverse capacity are in competition, demand for physical capacity will be lower although it has more overall value
- Free riders mentality undermines investment signals
- Solution: apply the same methodology to non physical backhaul and to reverse flows with discount reflecting the interruption risk

**It is not about TSOs revenues only
It is about fair treatment of shippers**

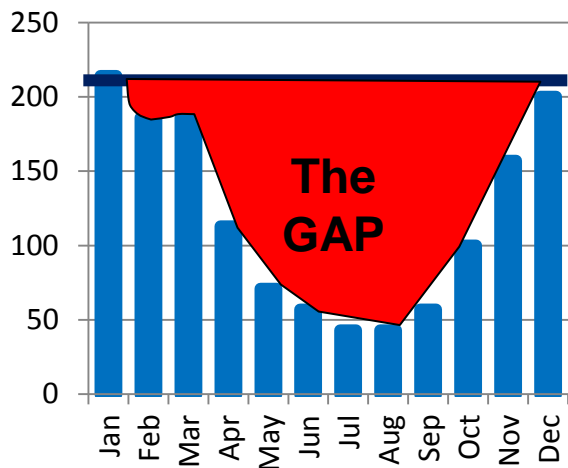
The issue of profiled booking



In order to facilitate cross border trade, network users have the ability to book profiled (short term) on quarterly, monthly or daily basis. The network code has to deal with the consequences of potential under recovery.



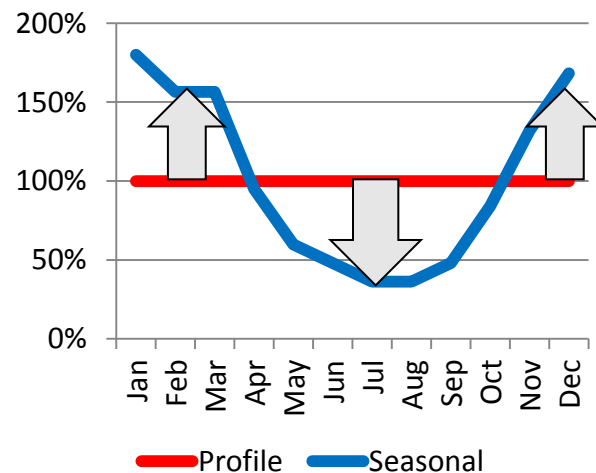
How to balance short/annual bookings



Setting the tariff simply based on average use of capacity would undermine long-term booking and would not deliver any signal for efficient use.

↪ Something more intelligent is needed

Seasonal Factors are a proper instrument to incentivise efficient use of network and to deliver a signal for the congestion and/or value of capacity at given time. Seasonal factors in combination with reasonable defined multipliers can ensure in addition cost coverage for the TSO.



Trade offs between pragmatism and correct reconciliation

- FG foresees one regulatory account and use of primary cost allocation to split the reconciliation „pot“ between Entry and Exit
- This may cause problems:
 - In case of huge transit capacities
 - In case of massive under/over-recovery due to changed flow patterns
 - In case of insufficient recognition of possible profiled bookings
- At least full transparency should be achieved on where and why over/under-recovery occurs
- There should be some flexibility compared to a purely mechanical solution

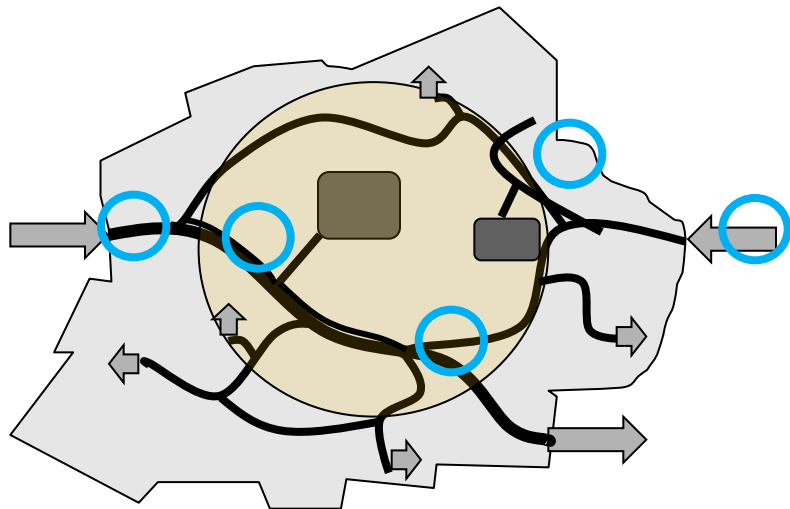
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Subject to intensive discussions among stakeholders

- Floating tariffs might decrease network user's willingness to book long term, results in problems for TSO to recover costs and/or lead to increases in following regulatory period
- Fixed tariffs might lead to cross-subsidies among network users and/or less stable tariffs
- But there are merits when it comes to new/incremental capacity

**Some discretion might be needed at least for
incremental/new capacity**

Storage in Entry/Exit-Systems



A network user (NU) has paid his share of the network cost upon entry via an entry fee and upon exit via an exit fee

When a NU decides to store gas, he should not pay more for transmission than the incremental costs directly attributable to the connection to storage while taking into account the benefits that storages bring to the system

These benefits include: increased flexibility, avoided Capex covering peak capacity demand, reduced Opex, improved system stability and security of supply.