

Virtual Interconnection Points – GTS proposal

Easier trading in the EU for shippers



Agenda

- The obligation from NC CAM
- Which network points are impacted
- Change in capacity assignment
- Commercial model and tariffs
- Services
- Operational impact

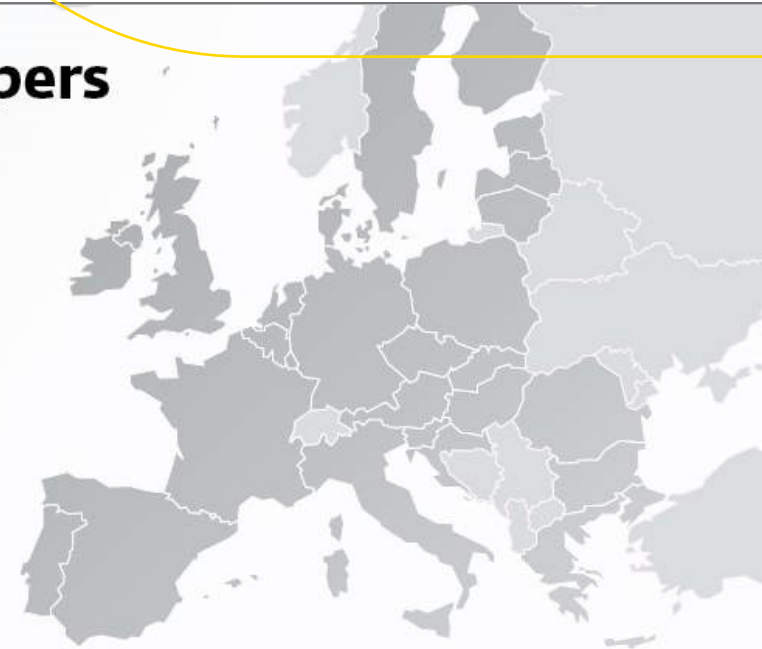
European obligation to implement VIPs

- NC CAM Art. 19(9) states that where two or more IPs connect two Entry/Exit-systems, the TSOs shall offer the available capacities at one VIP; 2 conditions:
 - the total technical capacity at the virtual interconnection points shall be equal to or higher than the sum of the technical capacities at each of the interconnection points contributing to the virtual interconnection points
 - they facilitate the economic and efficient use of the system including but not limited to rules set out in Article 16 of Regulation (EC) No 715/2009.
- Both conditions can be met
- GTS consulted neighbouring TSOs and customers on how to interpret E/E-system
- Shared opinion that E/E-system should be seen as market area and H-gas and L-gas as separate markets¹

1: Bundesnetzagentur supported by ACM challenges this interpretation and asked TSOs to deliver a CBA for cross-quality VIPs, The possibilities and potential timelines are under investigation

Easier trading in the EU for shippers

To simplify hub-to-hub trading the EU aims at reducing the number of interconnection points by november 2018.



If two or more IP's connect adjacent markets, these IP's will be integrated into one **virtual interconnection point (VIP)**



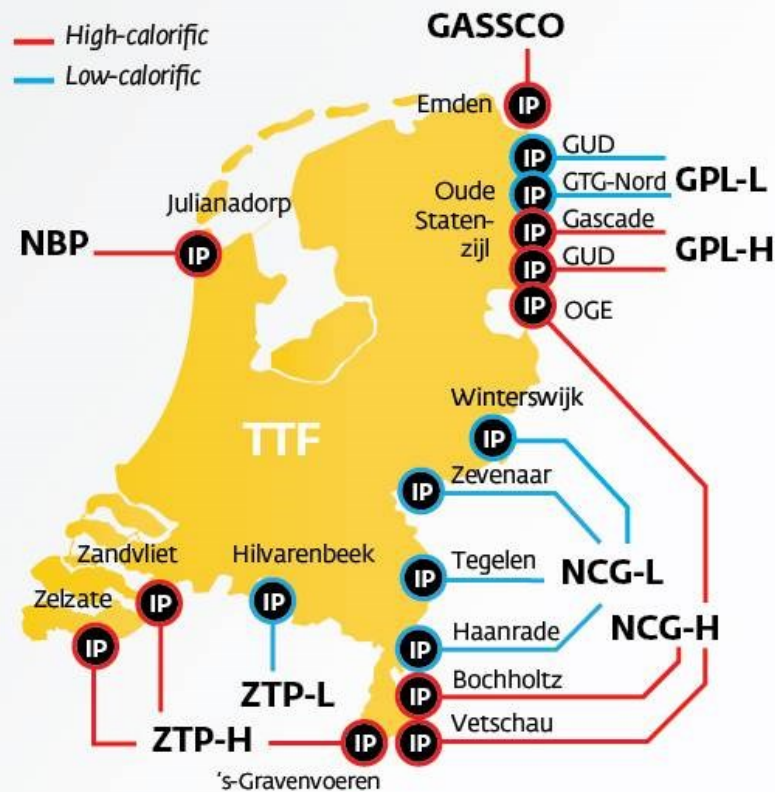
Current



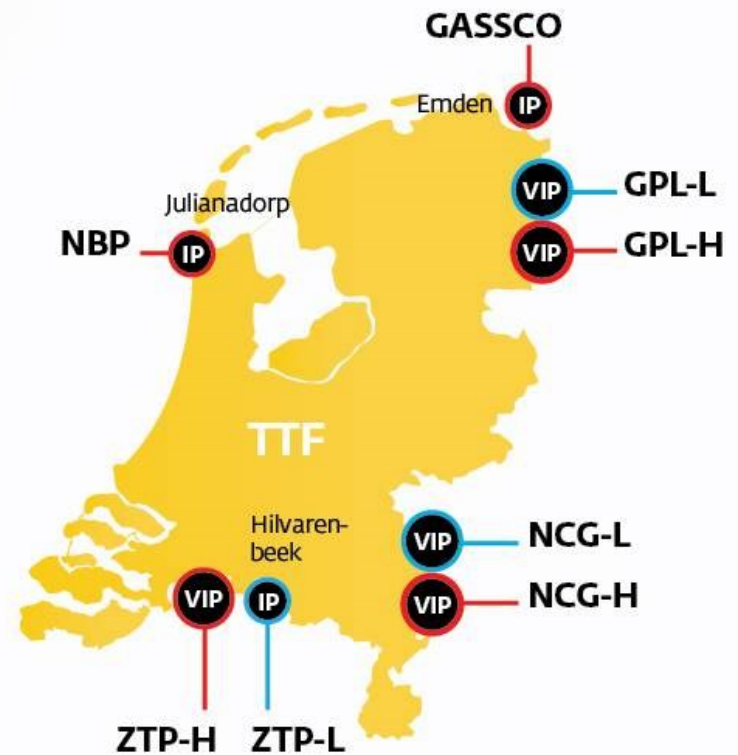
November 2018

What it means for the TTF

Fourteen IP's will be integrated into 5 VIP's.



Current



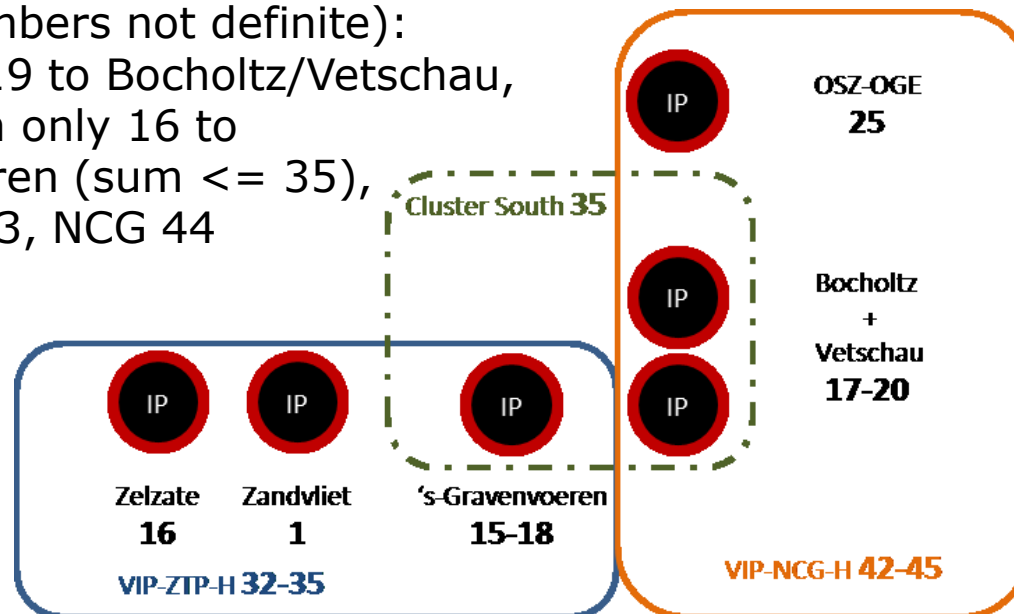
November 2018

NW points affected

NWP	Description	VIP
300136	Oude statenzijl (gtg nord-g)	VIP-GPL-L
300144	Oude statenzijl (gud-g)	
300146	Oude statenzijl (gud-h)	VIP-GPL-H
300147	Oude statenzijl (gascade-h)	
300132	Zevenaar	VIP-NCG-L
300133	Winterswijk (oge)	
300138	Tegelen (oge)	
300141	Haanrade (thyssengas)	
300145	Oude statenzijl (oge)	VIP-NCG-H
300139	Bocholtz tenp (oge - flx tenp)	
301368	Bocholtz vetschau (thyssengas)	
301184	Zandvliet (fluxys-h)	VIP-ZTP-H
300143	Gravenvoeren (fluxys)	
301111	Zelzate (fluxys)	

Capacities offered

- Currently GTS uses 'clusters' to establish an optimum ex post allocation of technical capacity to individual IPs
- Because VIPs sometimes consist of different IPs from one cluster we need to allocate capacity ex ante to the VIPs
- In this process GTS will endeavour to take into account market demand and available capacity on the other side of the border
- Example (numbers not definite):
If we assign 19 to Bocholtz/Vetschau,
we can assign only 16 to
's-Gravenvoeren (sum ≤ 35),
Result: ZTP 33, NCG 44



Proposed commercial/contractual model

- As of November 2018 capacity must be offered at the VIP,
 - GTS proposes to align implementation with gas year → implementation by 1 October 2018
- Implementation of VIPs will have no physical consequences for your existing rights to transport gas across the border. More detailed information is given in the consultation document
- As of 1 October 2018 the underlying IPs will cease to exist as they are no longer bookable points
- As of 1 October 2018 the VIPs are the only points for operational and contractual execution of the existing contracts

Tariff methodology VIPs

Method	Remarks	☒ / ☑
Existing contracts will be executed on VIP and the tariff used in existing contracts will be applied	Not allowed tariff discrimination between old and new contracts. Trend breach with succeeding GT&Cs where new tariffs apply to all contracts	☒
Existing contracts to be executed on VIP and VIP-tariff = lowest IP-tariff	Not compliant with art. 22 NC TAR *	☒
Existing contracts to be executed on VIP, and VIP tariff based on art. 22b of NC TAR using technical capacities underlying former IPs	Art. 22 offers choice to apply technical capacity or forecasted contracted capacity	☑
Existing contracts to be executed on VIP, and VIP tariff based on art. 22b of NC TAR using forecasted contracted capacities underlying former IPs	Art. 22 offers choice to apply technical capacity or forecasted contracted capacity	☑

* **Art. 22b NC TAR:** equal to the weighted average of the reserve prices, where such average is calculated on the basis of the reference prices for each interconnection point contributing to such virtual interconnection point. → capacity weighted average.

Tariff methodology - proposal

- According to Art. 22.1.b NC TAR GTS proposes to set the VIP-tariff 2018 as
 - $\text{Tariff}_{\text{VIP}} = \text{capacity weighted tariff of the underlying IPs}$
 - choice between technical capacity(TC) or forecasted contracted capacity (FC)
- Recently GTS proposed the 2018 tariff for underlying IPs
- Based on these 2018 tariffs GTS will calculate and use the 2018 VIP-tariff, valid as of 01/10/2018¹
- As of 1/10/2018 the underlying IPs will not exist anymore, therefore the 2019 VIP-tariffs will be calculated in the same way as other tariffs, in line with article 22.1.a of NC TAR:²
 - $\text{Tariff}_{2019} = \text{Tariff}_{2018}$, corrected with CPI minus X-factor.
 - Also changes in forecasted volumes and reimbursements will influence the tariffs
- The method for setting the VIP-tariff for 2020 and later will be part of the NC TAR consultation and decision

Tariffs – overview of impact from 2 methods

VIP	IP	NWP Desc	ENTRY			EXIT		
			tariff IP	TC	FC	tariff IP	TC	FC
VIP-GPL-H	300146	OUDE STATENZIJJ (GUD-H)[OBE BH]	0,754	0,754	0,754	0,662	0,662	0,662
	300147	OUDE STATENZIJJ (GASCADE-H)	0,754			0,662		
VIP-GPL-L	300136	OUDE STATENZIJJ (GTG NORD-G)	1,002	1,002	1,002	0,639	0,639	0,639
	300144	OUDE STATENZIJJ (GUD-G)[OBE BG]	1,002			0,639		
VIP-NCG-H	300139	BOCHOLTZ TENP (OGE - FLX TENP)	0,926	0,754	0,754	1,607	1,301	1,457
	300145	OUDE STATENZIJJ (OGE)	0,754			0,662		
	301368	BOCHOLTZ VETSCHAU (THYSSENGAS)	0,926			1,607		
VIP-NCG-L	300132	ZEVENAAR	1,284	1,283	1,283	1,377	1,380	1,380
	300133	WINTERSWIJK (OGE)	1,284			1,377		
	300138	TEGELEN (OGE)	1,109			1,886		
	300141	HAANRADE (THYSSENGAS) ¹	1,109			2,097		
VIP-ZTP-H	300143	S-GRAVENVOEREN (FLUXYS)	0,926	1,611	1,611	1,607	1,774	1,771
	301111	ZELZATE (FLUXYS)	1,611			1,932		
	301184	ZANDVLIET (FLUXYS-H)	1,374			2,165		

Tariff IP = as stated in GTS tariff proposal 2018

TC = Tariff is capacity weighted tariff of underlying IPs, using technical capacity as weighting

FC = Tariff is capacity weighted tariff of underlying IPs, using forecasted contracted capacity as weighting

1: Haanrade is currently not an IP, but will be part of the VIP-NCG-L as of 1/10/2018,
entry tariff = equal to tariff 300138 Tegelen.

Tariffs – technical or forecasted contracted capacity?

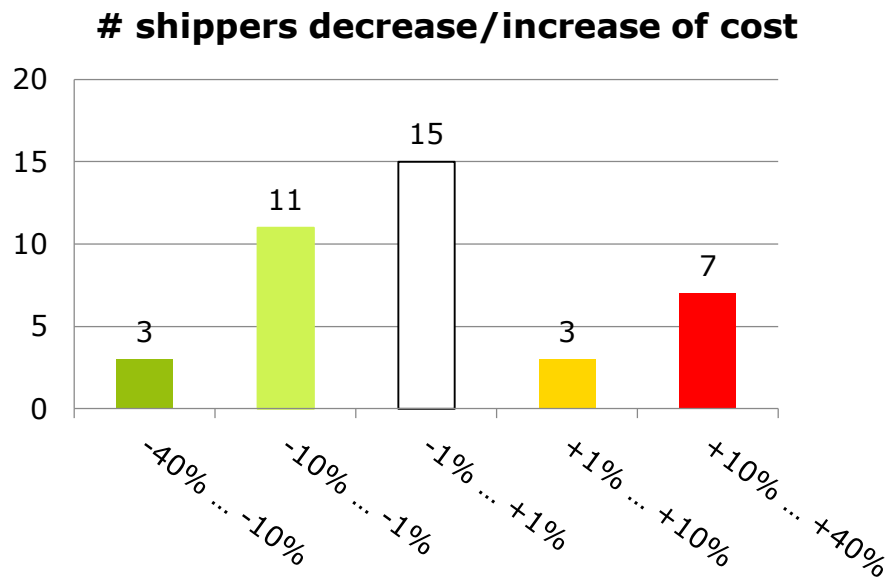
GTS suggests to use technical capacity as weighting because:

- After 1 October 2018 the IPs do not exist anymore, so forecasted capacity on the IPs does not exist (0?)
- Nominations or historical flows do not dictate the flows on the flanges anymore. TSOs will determine flow patterns, based on lowest overall cost, the only limitation is in the technical capacity of the flanges.
- Technical has the smallest impact on shift in cost per portfolio
- Remark: In 2019 a small part (<0,3%) of the IP-revenues will be regained from other network points¹

1: Mainly because of unknown sales in rest 2017 and 2018 the financial impacts are only indicative

Effect of applying VIP-tariff on shippers

- Percentage that the cost per shipper decreases/increases
 - Period 1 Oct 18 – 31 Dec 19
 - Percentages relative to the total cost for the part of the portfolio where VIPs c.q. IPs are concerned



N.B. Mainly because of unknown sales in rest 2017 and 2018 the financial impacts are only indicative.
39 shippers in total with bookings on the concerning IPs

Commercial model and Tariffs - conclusion

- The shift from IPs to VIPs stems from legal obligations
- New and existing contracts will be nominated on the VIP
- GTS proposes to set the VIP-tariff on the capacity weighted average of the tariffs of the underlying IPs, where capacity = technical capacity

Services

- All services currently offered on IPs will be offered on VIPs, a VIP is 'just another IP'
- Existing capacity contracts will be transferred from the underlying IP to the new VIP. This has no negative consequences for the rights that network users hold under their current contracts
- Services such as Shift of capacity, Assignment, Transfer of usage, Surrender of capacity, Shorthaul and Conversion of capacity are only affected to the extent that the contracts are executed and (in future) concluded on VIPs as of 1 October 2018
- Diversion between IPs/VIPs and storages or other IPs/VIPs will still be possible after the implementation of VIPs. Due to the combination of several IPs into one VIP, the allowed combinations as mentioned in Appendix 3 of the TSC will change

Operational impact

- When a VIP is operational shippers will have to nominate at this VIP, no nominations can be made at the underlying points
- Confirmation and allocation will in effect not change, in so far as nominated quantities are confirmed and allocated at the VIP
- The TSOs will ensure that the required quantities of gas will be made available such that the sum of the flow on the flanges will be the confirmed quantity. The extended matching-related communication process that is needed between GTS and the NNOs will not affect the processes for nomination, confirmation and allocation for the shippers at the VIPs by any means
- For the sake of clarity, the introduction of VIPs has no impact on the GTS balancing regime

Way forward

- Consultation closes on 23 October
- GTS will evaluate the responses and give feedback
- GTS will continue discussions with NNOs on operational issues
- In due time GTS will deliver more details on timing of implementation, where we will give shippers ample time to adapt their backend systems
- In the tariff proposal/decisions for 2018 and 2019 you will find more information on tariffs

Questions and Answers

- ?