



Network code on harmonised transmission tariff structures for gas (NC TAR)

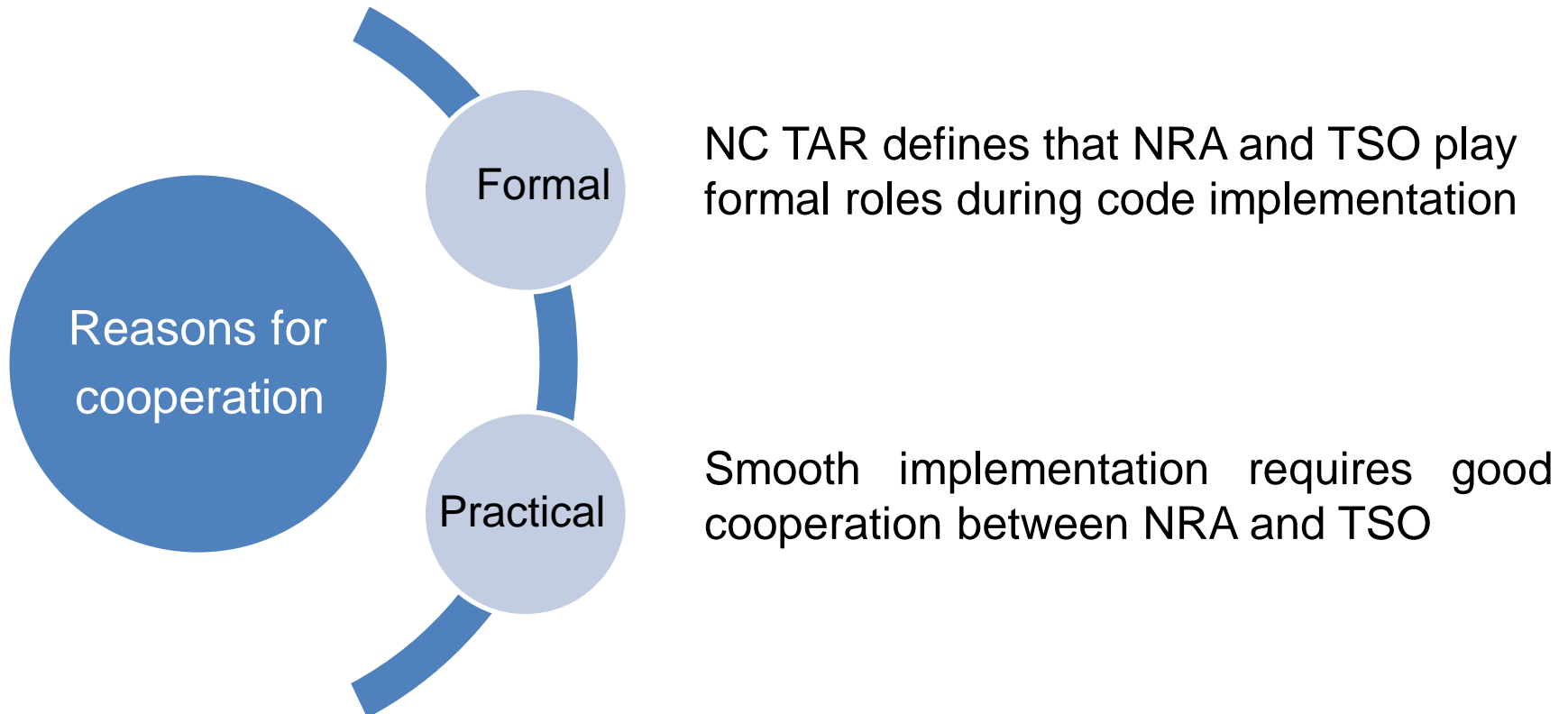
Kick-off meeting

Implementation of the NC TAR in the Netherlands

Hoofddorp

19 April 2017

Today's meeting is jointly organized by Gasunie Transport Services (GTS) and the Authority for Consumers and Markets (ACM)



The European Network code on harmonised transmission tariff structures for gas (NC TAR) has entered into force on 6 April 2017

Article 38: entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

- It shall apply as from entry into force
- Chapters VI and VIII shall apply as from 1 October 2017
- Chapters II, III and IV shall apply as from 31 May 2019

NC TAR is complex and contains many general provisions: an early start of the implementation process is therefore necessary

Reaching robust proposal takes time

- Many provisions are complex:
 - Often strong economic rationale
 - Precise intent not always clear
- Many parts of the netcode have an 'open end':
 - What qualifies as a (non-) transmission service
 - What reference price methodology will be applied
 - What discount percentage will be applicable
 - Etc.
- Stakeholders must be able to timely provide input

Today's meeting signals the start of the implementation process

**Today's
agenda**

- 1. Introduction**
- 2. High level overview of content NC TAR**
- 3. Joint GTS – ACM proposal for the implementation process**
 - envisioned process steps for implementation
 - timelines
 - responsibilities
- 4. Stakeholders' thoughts**
- 5. Next step**

Any questions?

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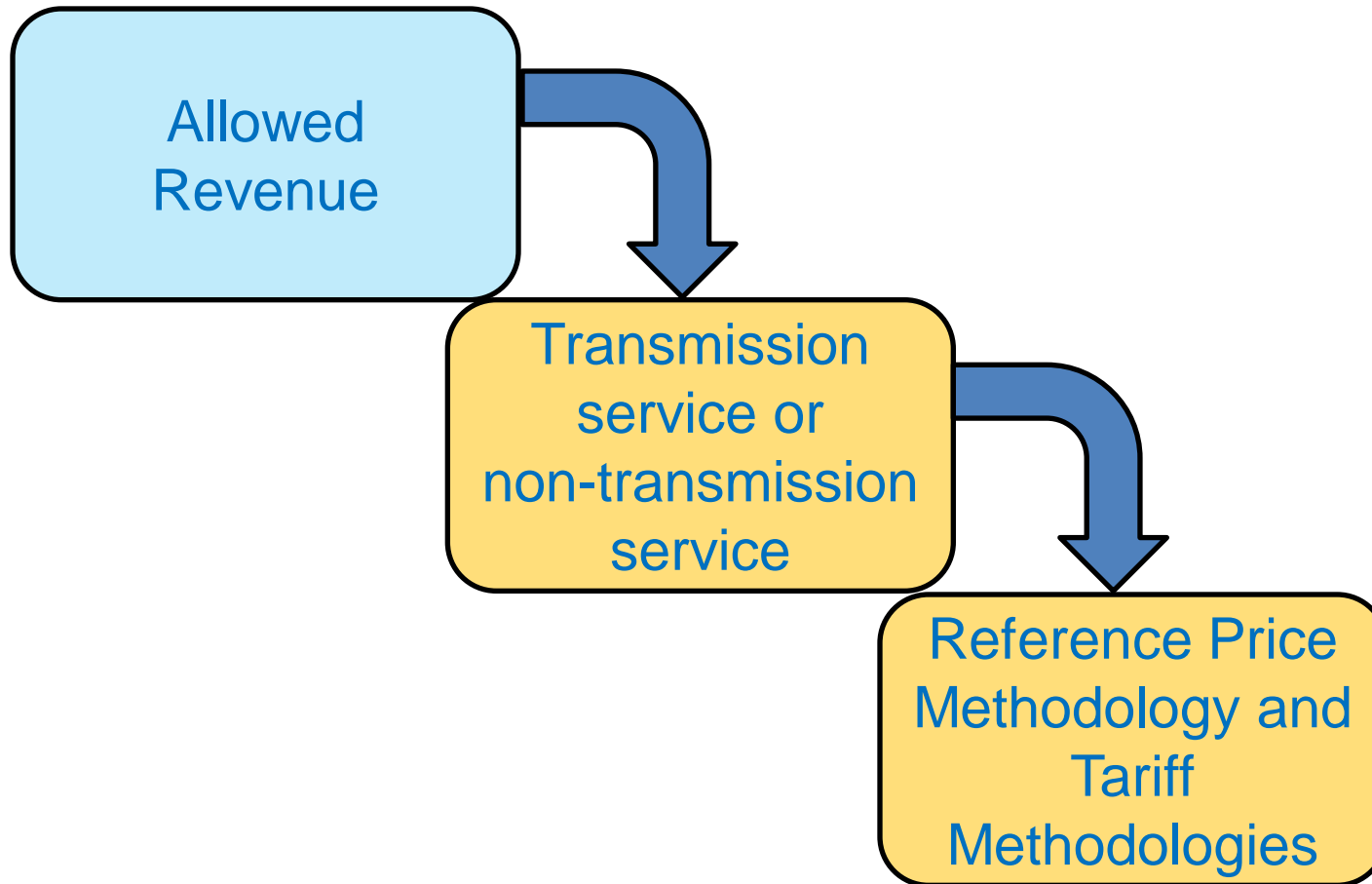
NC TAR objectives

- Contribute to market integration
- Enhance security of supply
- Promote the interconnection between gas networks
- Improve transparency of transmission tariff structures
- Enable understanding of tariffs
- Ensure a reasonable level of cost reflectivity and predictability of tariffs

NC TAR main topics

- Price methodologies, reference & reserve prices
- Publication requirements
- Consultation requirements

Price methodologies, reference & reserve prices



NOT in scope NC TAR

NC TAR offers options for different implementation choices. Stakeholders are invited to share their goals, criteria, preferences

Revenue

- Setting allowed revenues for a TSO is out of scope NC TAR, revenues to be recovered is a given for NC TAR
- NC TAR gives rules and guidelines to set tariff methodologies for transmission and non-transmission services

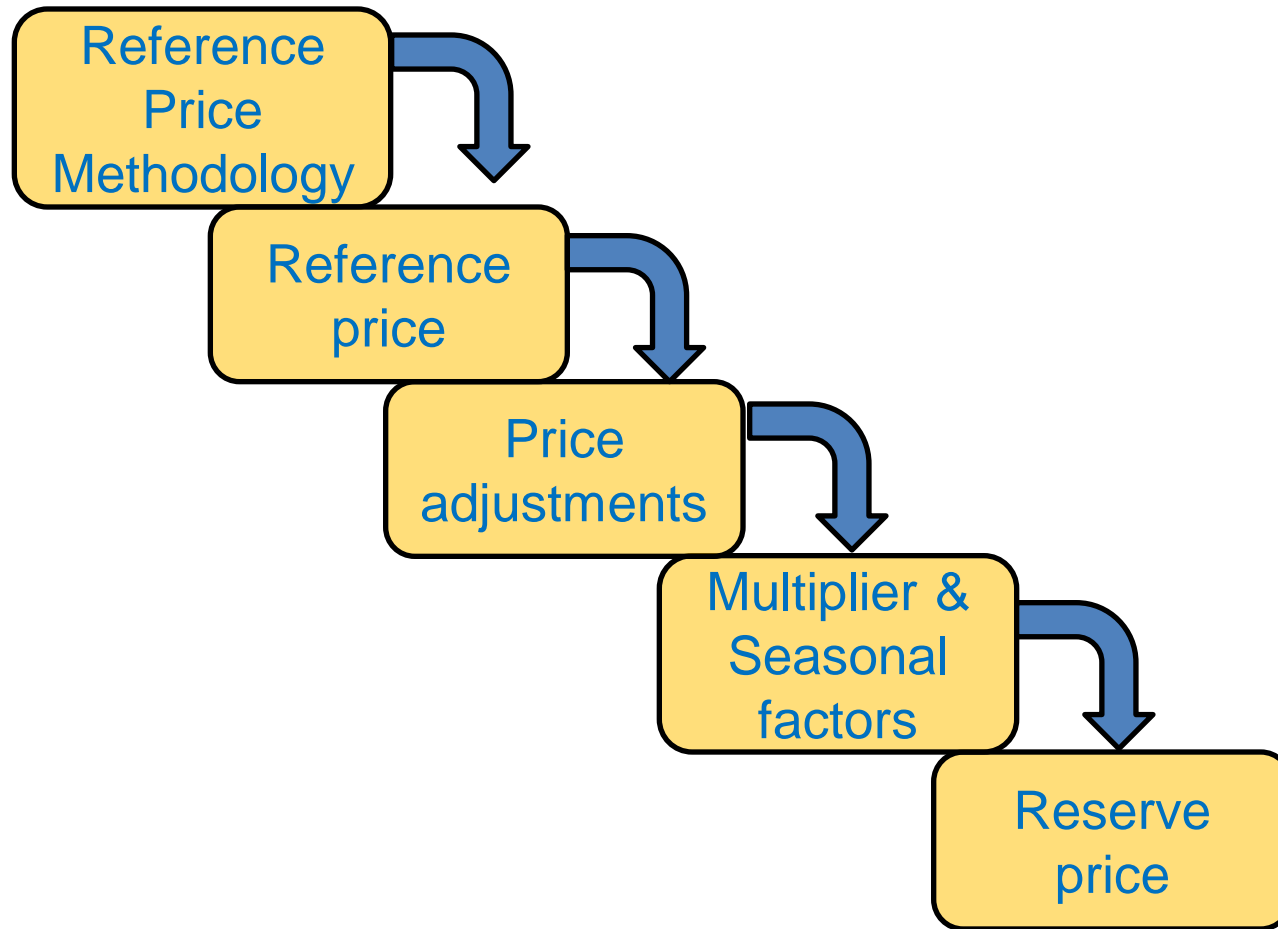
Transmission service or non-transmission service

| | Transmission Service (TS) | Non Transmission Service (NTS) |
|--|---|---------------------------------------|
| | A service is obligatory TS: If costs of service are caused by (a) cost drivers capacity and distance AND (b) the related infrastructure is part of the regulated asset base | |
| | Option TS or NTS: If one of the criteria (a) or (b) is not met | |

Reference Price Methodology and Tariff Methodologies

| GTS Services | Transmission Service (TS) | Non Transmission Service (NTS) |
|------------------------|--|---|
| Capacity based | <ul style="list-style-type: none">• One Reference price methodology (RPM) for all capacity based TS• RPM will calculate a reference price (jaartarief) for each entry and exit point. | <ul style="list-style-type: none">• A tariff methodology (TM) for each NTS• TM calculates the tariff for the relevant entry and exit points. |
| Commodity based | <ul style="list-style-type: none">• A Tariff methodology (TM) for each commodity based TS | See above |

Reference Price methodology, reference & reserve prices



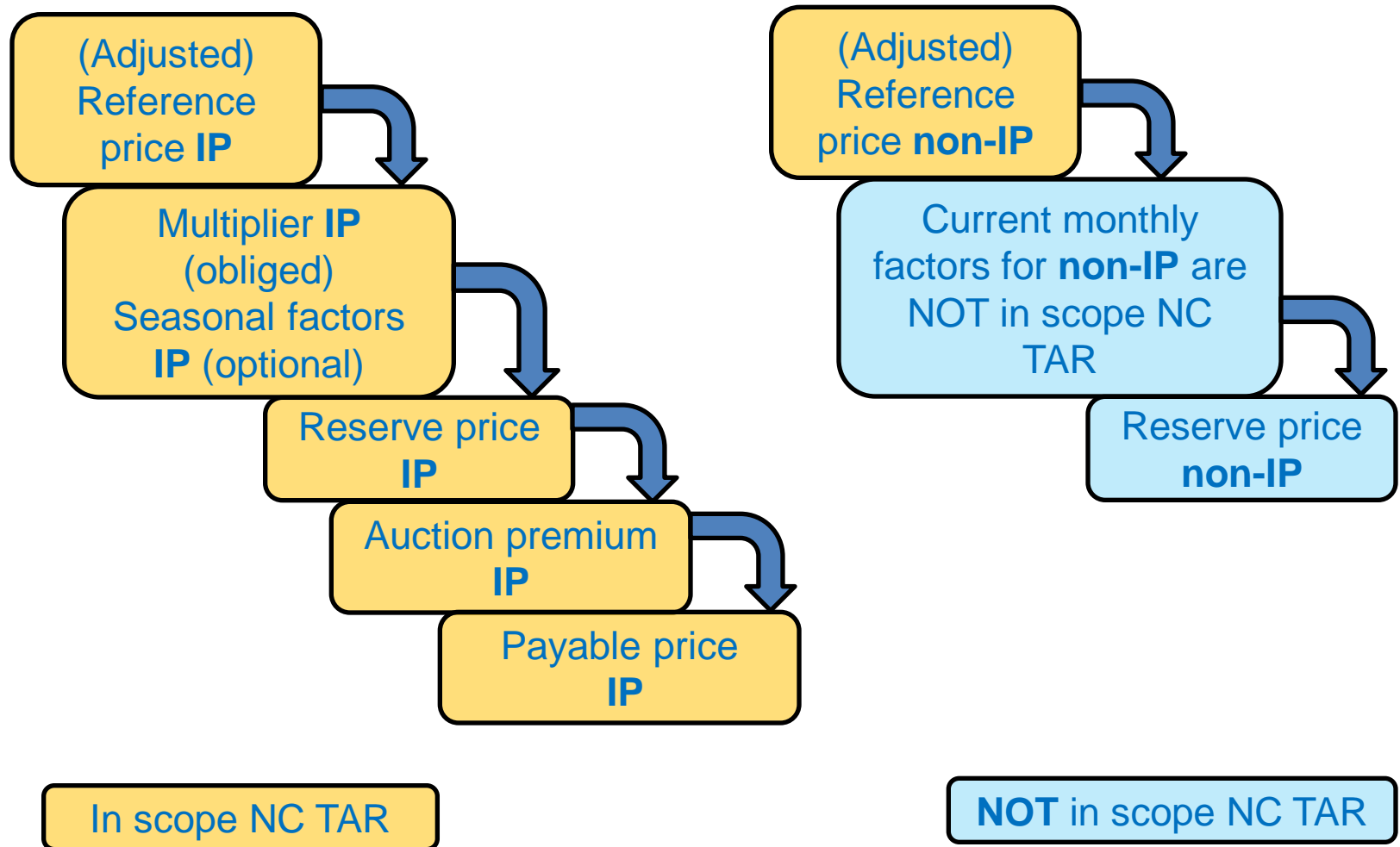
Price adjustments

Allowed price adjustments to the application of the RPM

1. Storage discount
2. For the purpose of increasing security of supply:
discount on LNG entry and entry/exit points ending
isolation of member states
3. Benchmarking
4. Equalisation
5. Rescaling

Reserve prices

Calculation of reserve prices for non-yearly standard capacity products for firm capacity



Publication requirements

Information to be published before tariff period

- Information on parameters used in the RPM
- Financial information: f.e. allowed revenue, cost of capital
- Revenue splits: f.e. entry/exit split

Information to be published before the annual yearly capacity auction

- Reserve prices for first gas year in the auction
- Multipliers and seasonal factors
- Reserve prices for interruptible capacity for first gas year in the auction
- An assessment of the probability of interruption

Consultation requirements

Periodic consultation

- Final consultation open for at least two months
- Within five months following the end of the final consultation, the NRA shall take and publish a motivated decision
- The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof
- At least every five years starting from 31 May 2019

Yearly consultation

- Discounts, multipliers and seasonal factors

NC TAR Deadlines

Entry into force, 6 April 2017

Consultation requirements

1 October 2017

Publication requirements

31 May 2019

Reference Price methodology,
reference & reserve prices

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ACM and GTS have identified the principles that they believe should be taken into account during the implementation process of NC TAR

Process

- Steps and timelines in NC TAR are followed
- Accurate process

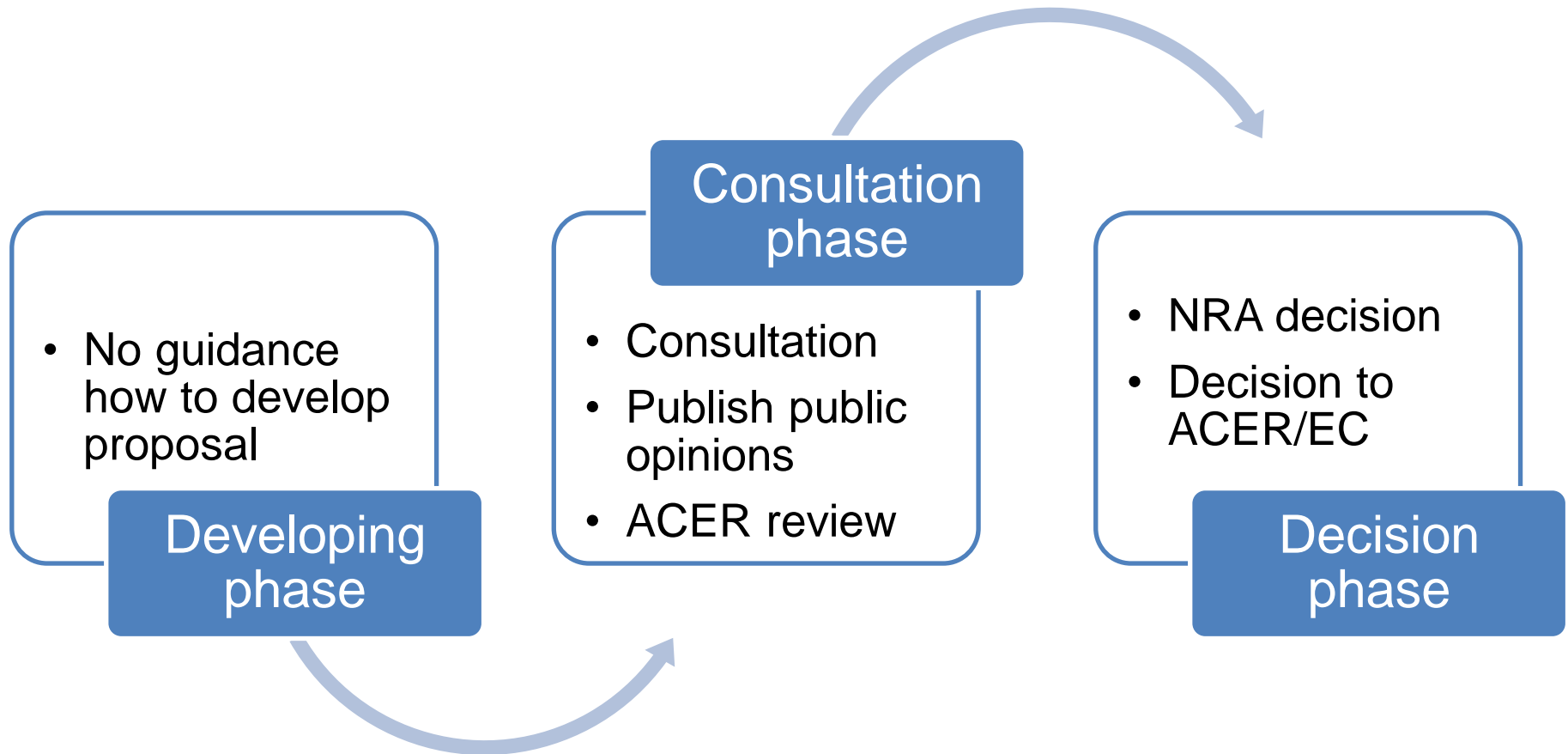
Stakeholder interaction

- Constructive and open dialogue
- Early understanding of stakeholder thoughts

Decision making

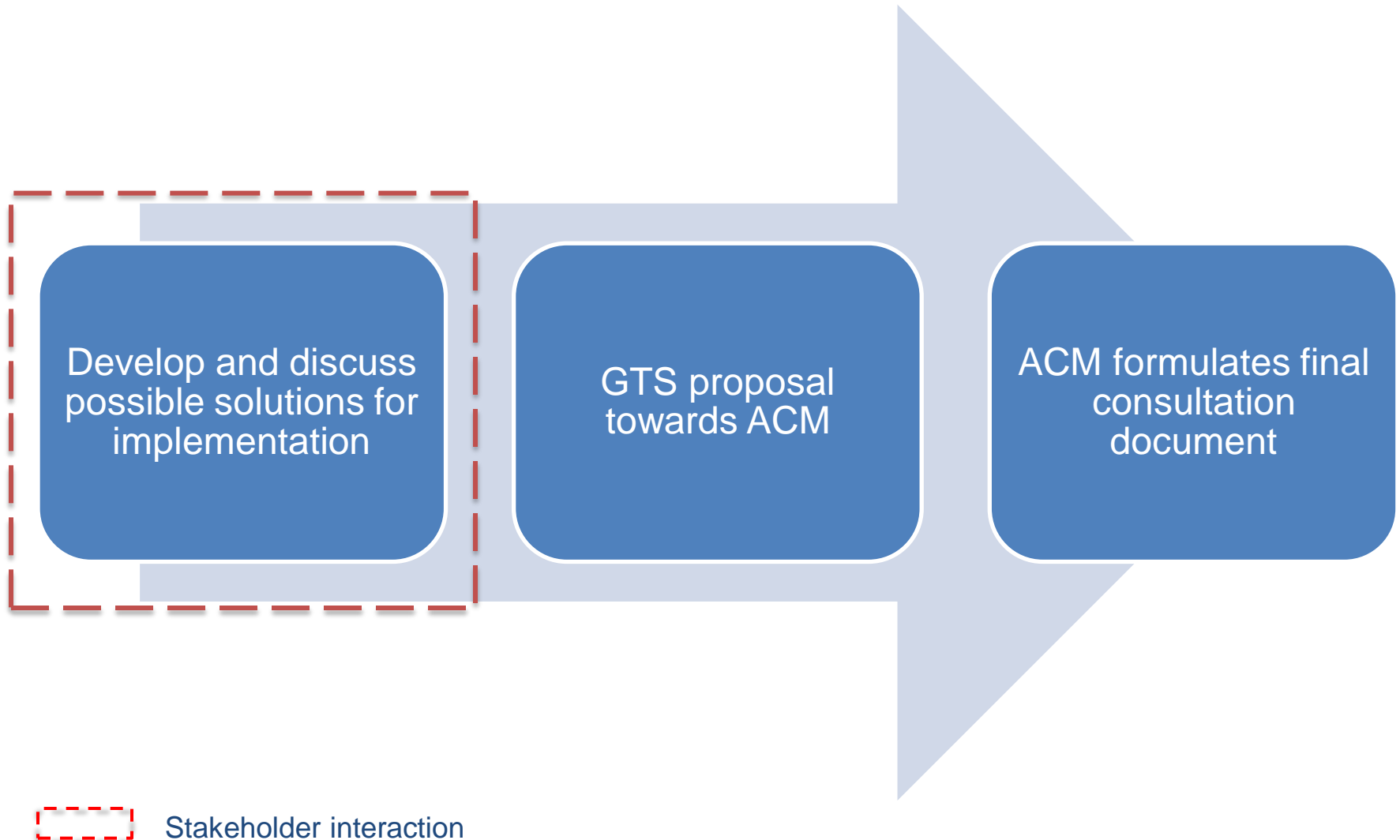
- Explicable and sufficiently motivated
- Transparent and understandable

Judging from NC TAR: correct implementation of the code requires that a three step approach will be followed

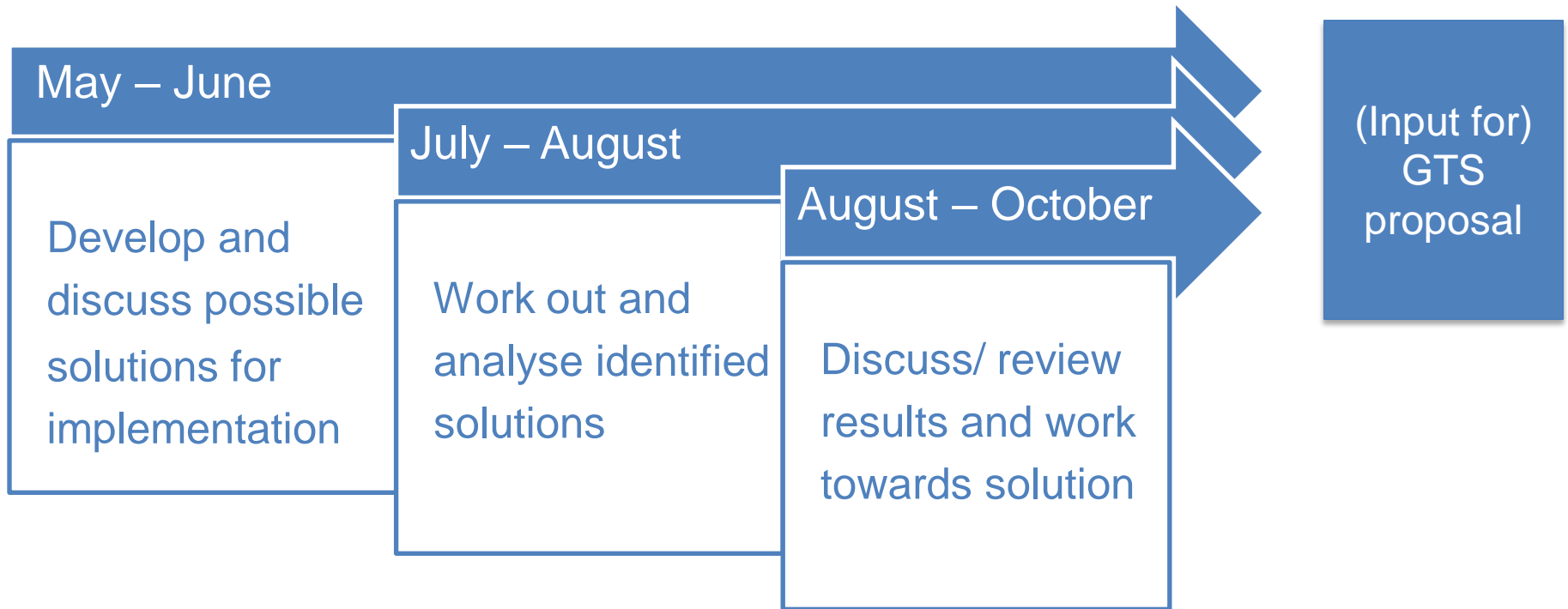


Developing phase

ACM and GTS have elaborated a joint proposal for how the final consultation document can be prepared



First step: ensure that possible implementation options are identified, developed and discussed



A number of meetings are envisioned to develop and discuss possible solutions for implementation

Next
session

- Future of gas market as seen by stakeholders and impact on tariff (setting)
- In depth explanation of NC TAR

Sessions
Spring

- For selected issues where national decision is required:
 - Considerations, possible solutions, pro/ cons
 - Stakeholders explain preferences, potential concerns etc.

Sessions
Fall

- For selected issues where national decision is required:
 - Selected worked-out solutions
 - Stakeholders explain preferences, potential concerns etc.

Second and third step: GTS proposal towards ACM and formulating the final consultation document (by ACM)

GTS proposal towards ACM

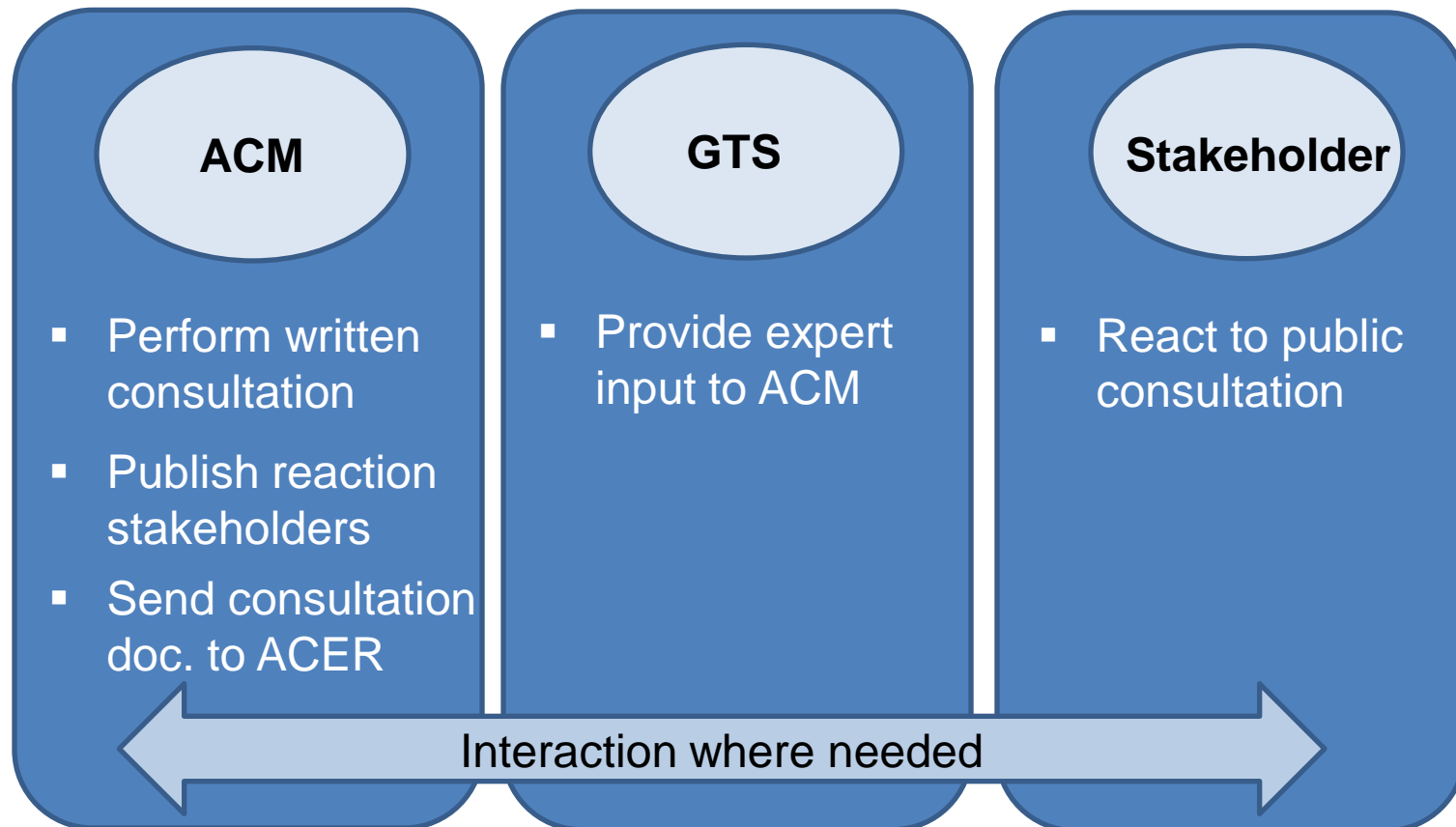
- Stakeholder input is seriously taken into account
- Clearly motivate proposed implementation solutions

ACM formulates final consultation document

- ACM will (partly) consult other proposal if:
 - GTS proposal non-compliant with code
 - compliant, but undesired effect
 - insufficiently explicable or motivated

Consultation phase

ACM will execute the steps that must be performed during the consultation phase according to NC TAR



Decision phase

Decision making responsibilities in NC TAR are clear: NRA must decide how the rules in NC TAR are implemented on national level

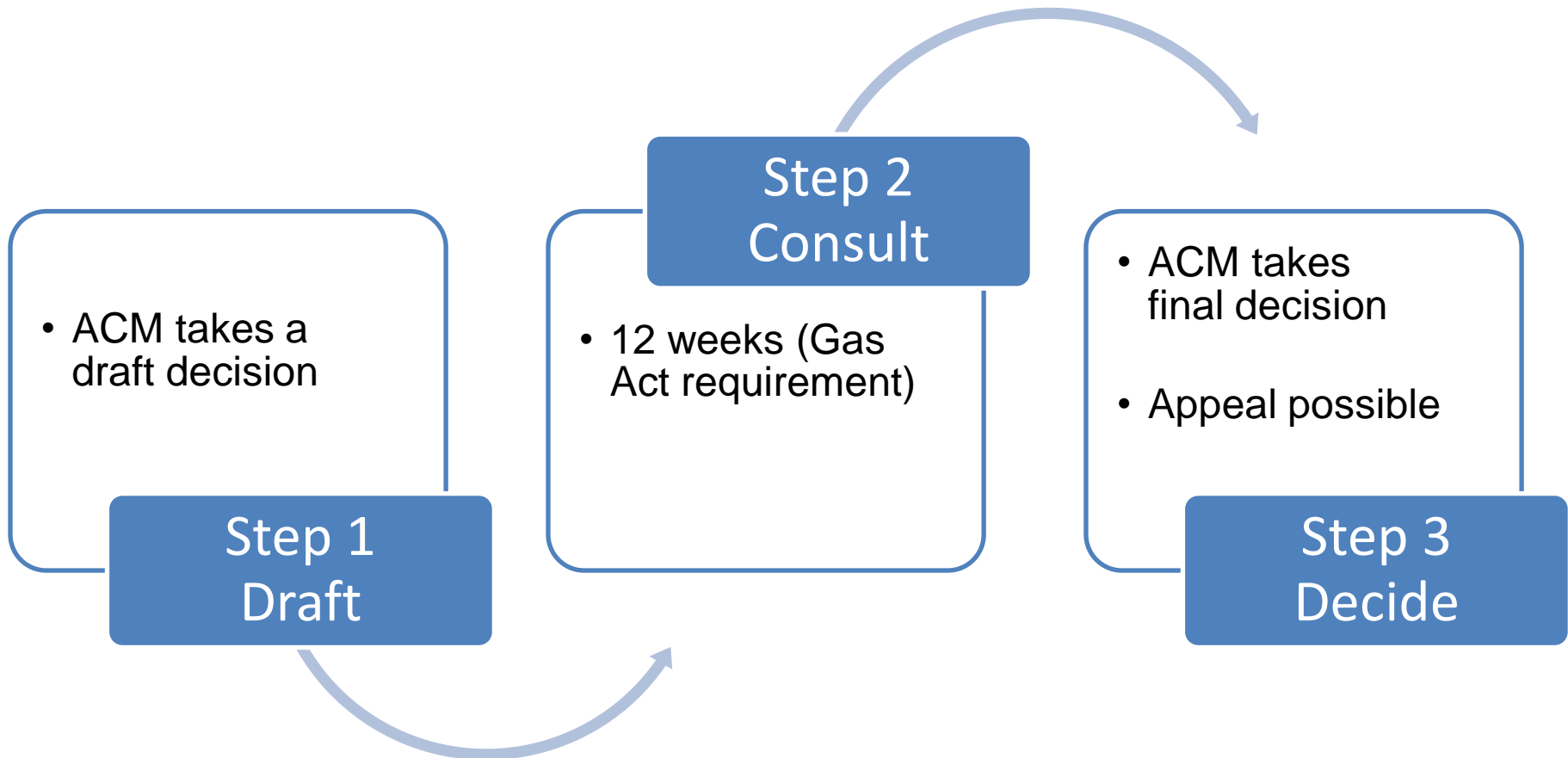
Chapter VII Consultation requirements

Article 27

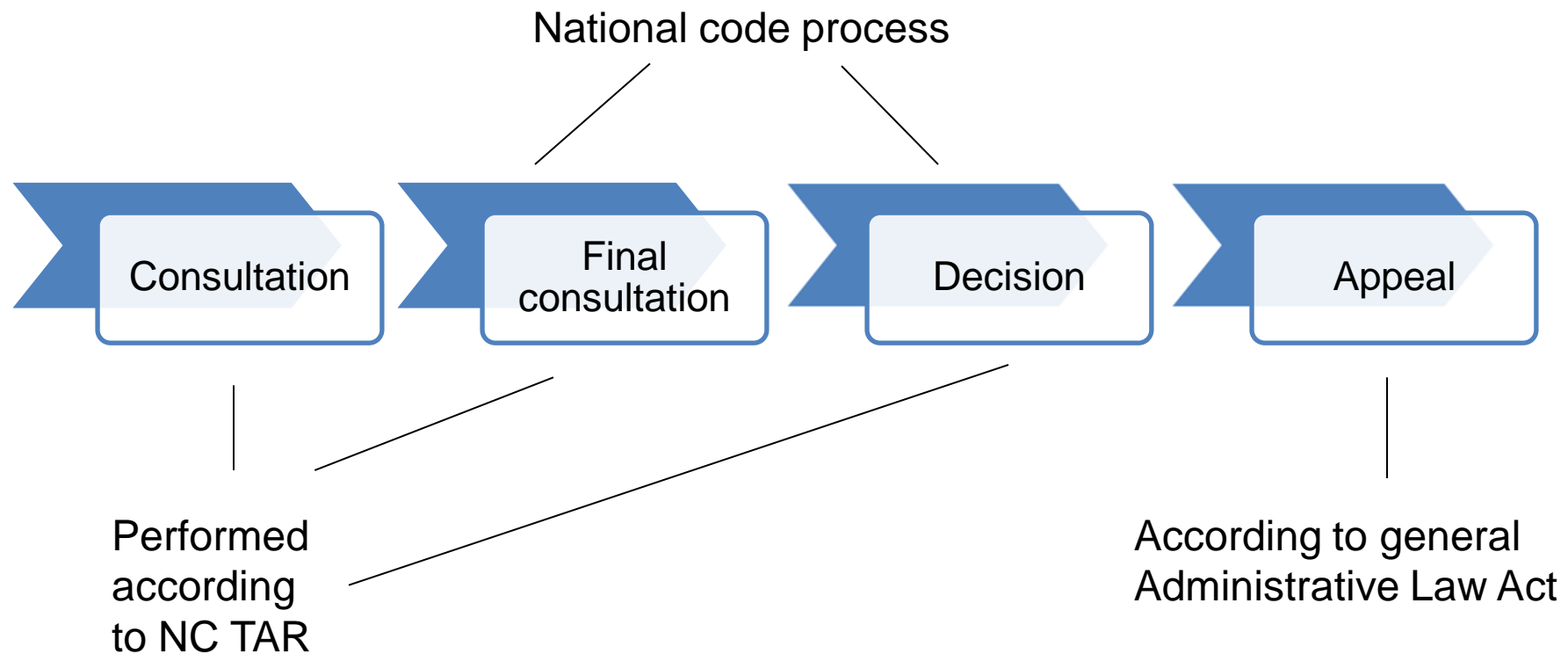
Within five months following the end of the consultation, the NRA, acting in accordance with **Article 41(6)(a) of Directive 2009/73/EC**, shall take and publish a motivated decision [.....].

Obligations in article 41(6)(a) are implemented
in NL through the code process

The national code process is prescribed in the Dutch Gas act, the General Administrative Law Act ('Awb') is also applicable



The consultation process of NC TAR will be integrated with the national code process and result in a change of the Dutch Tariff code



The applicable law determines to what extent stakeholders are formally involved in the NC TAR decision making process

Consultations

Not part of national procedure

All parties involved

Final consultation

Dutch code procedure (Gas Act)

All parties may submit their 'zienswijzen'

Appeal

Dutch Administrative Law Act

Restricted to 'belanghebbenden'

ACM and GTS (taking into account NC TAR) envision the following timeline of the implementation process

- Steps need to be taken well before 31 May 2019

| Nr | Action | Start | End |
|----|--|------------------|------------------|
| 1 | Kick-off NC TAR Implementation Process | 19 April 2017 | |
| 2 | Developing phase: Stakeholder interaction to develop and discuss possible solutions for implementation | 1 May 2017 | 31 October 2017 |
| 3 | Developing phase: GTS proposal towards ACM | 1 November 2017 | Mid January 2018 |
| 4 | Developing phase: ACM formulates final consultation document | Mid January 2018 | 28 February 2018 |
| 5 | Consultation phase: ACM consults | 1 March 2018 | 31 May 2018 |
| 6 | Decision phase: ACM decision on NC TAR implementation & Dutch code change | 1 June 2018 | 31 October 2018 |
| 7 | GTS prepares NC TAR based Tariff Proposal (year 2020) | 1 November 2018 | 31 January 2019 |
| 8 | ACM NC TAR based Tariff decision (year 2020) | 1 February 2019 | 1 May 2019 |
| 9 | Start of application NC TAR based tariffs | 1 January 2020 | |

Any questions?



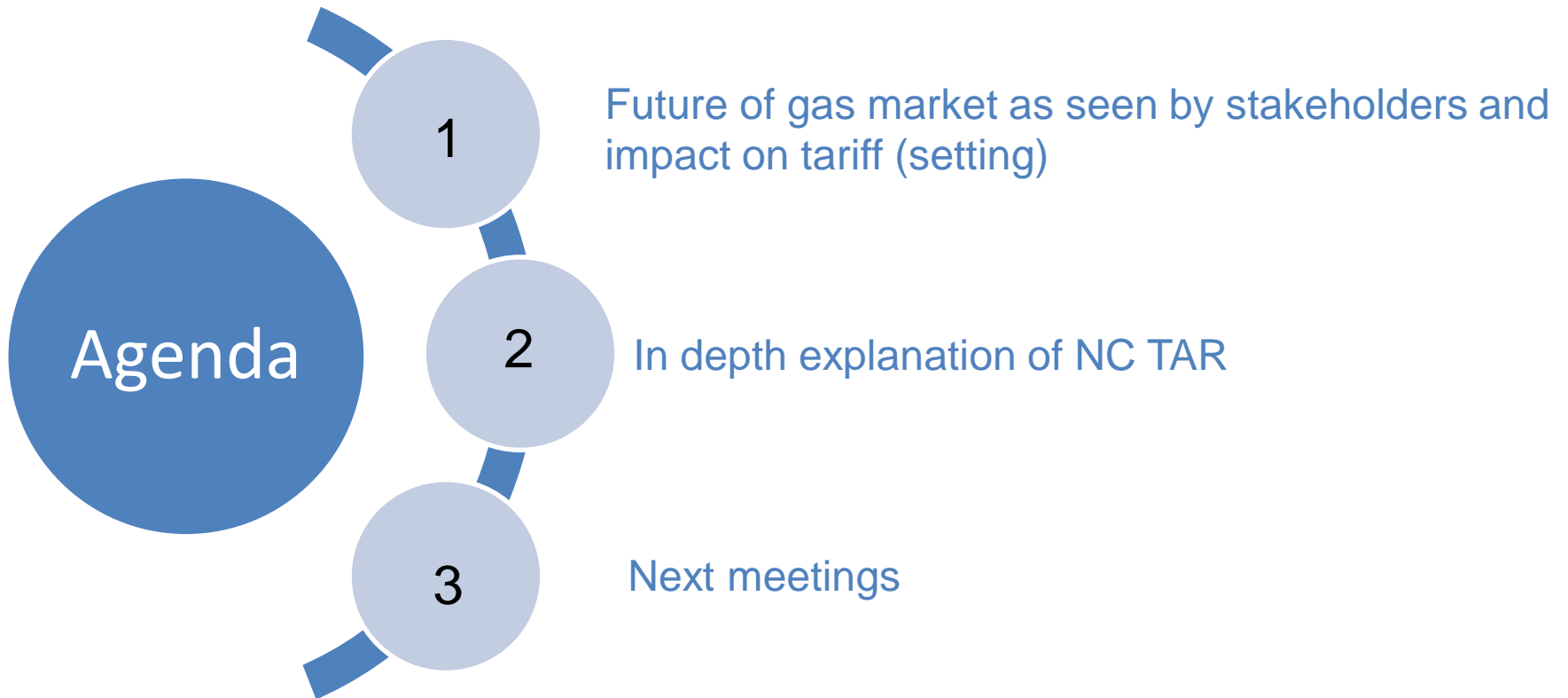
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Topics for first stakeholder session on 17 May 2017



Next stakeholder sessions: exact dates to be determined

