

Consultation Session GTS

Network Development Plan (NOP2017)

Virtual Interconnection Points (VIPs)

Network Code on Tariffs (NC TAR)



AGENDA

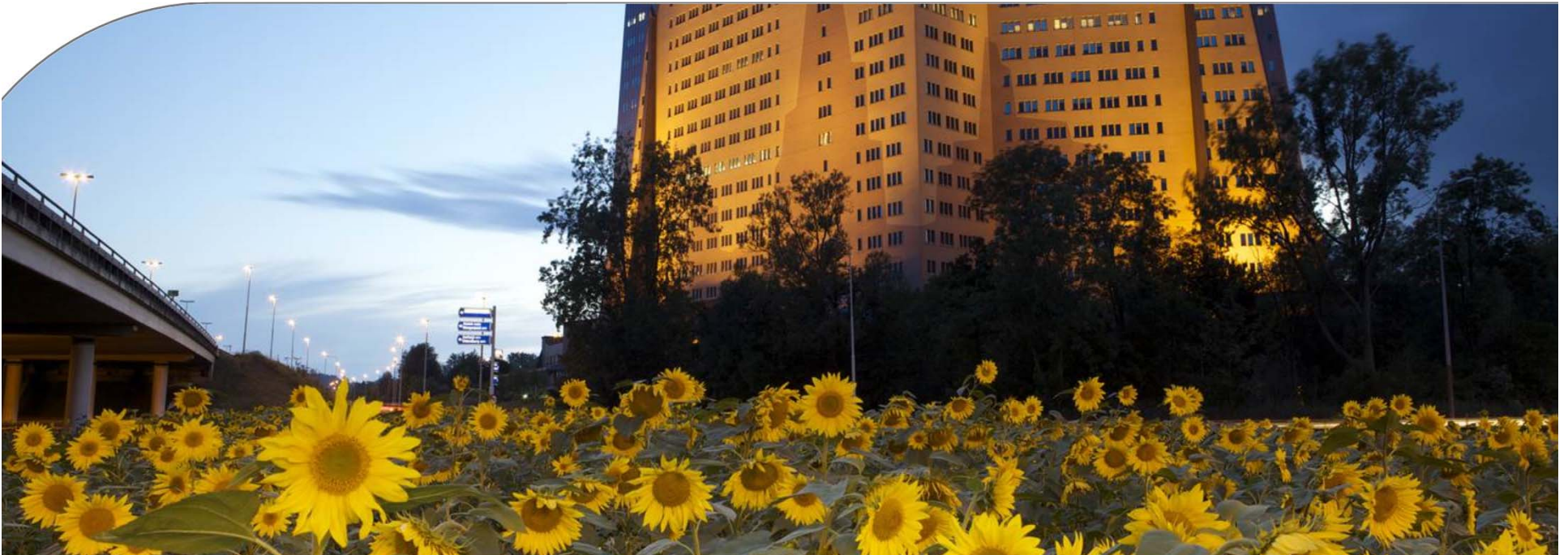
Consultation Meeting

- 10:00** Registration and coffee
- 10:30** Welcome & Introduction
- 10:40** Network Development Plan (NOP2017)
- 12:10** Lunch
- 13:00** Virtual Interconnection Points (VIPs)
- 14:30** Network Code on Tariffs (NC TAR)
- 15:30** Closure



Status update on implementation of VIPs

Shippers view on way forward



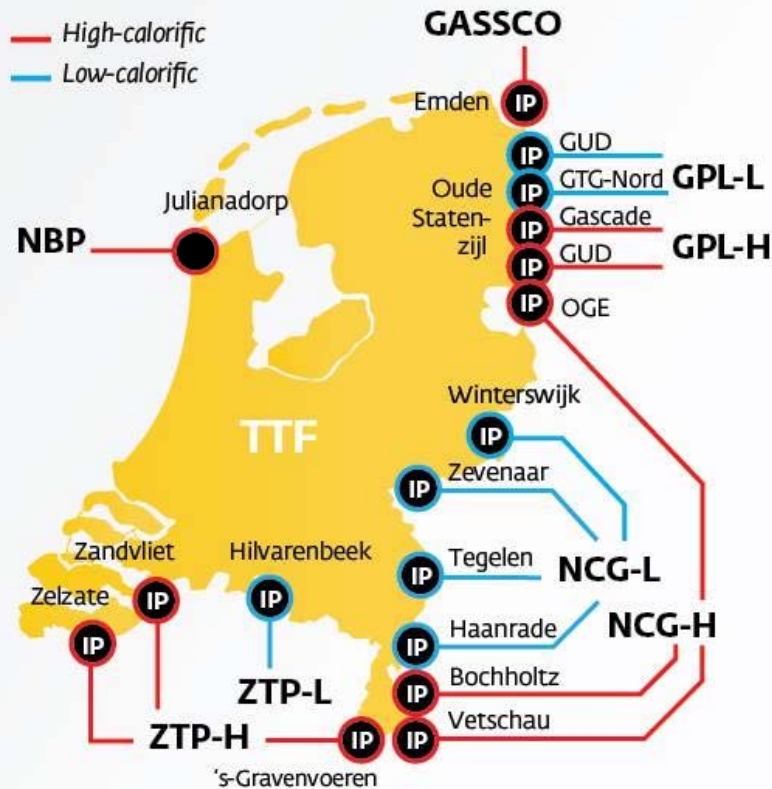
European obligation to implement VIPs

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:

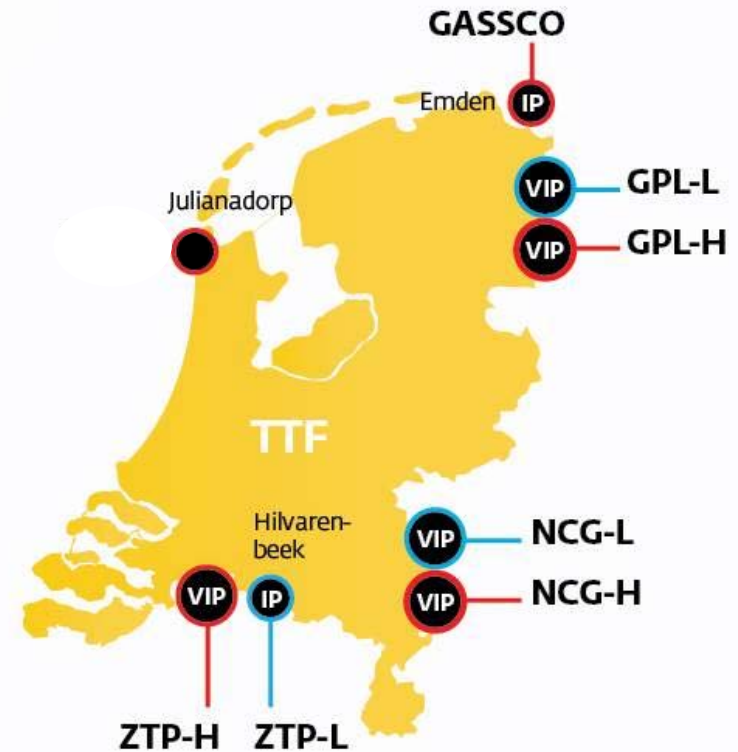
- a) the total technical capacity at the virtual interconnection points shall be equal to or higher than the sum of the technical capacities at each of the interconnection points contributing to the virtual interconnection points
- b) they facilitate the economic and efficient use of the system including but not limited to rules set out in Article 16 of Regulation (EC) No 715/2009.

What it means for the TTF

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



Current



November 2018

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 implemented, shippers will have to nominate at this VIP. Nominations at the underlying points can not be processed anymore
- Consequently the nominated quantities will be 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
- The introduction of VIPs has no impact on the GTS balancing regime

Status update

- According to NC CAM article 19.9 TSOs have to implement VIPs by 1 November 2018
- GTS and the NNOs discussed the implementation to align procedures at both sides of the border
- The aim of the NNOs and GTS was to implement VIPs by 1 October 2018
- Highlights of the model proposed by GTS
 - Separate H- and L-Gas VIPs
 - Existing contracts at underlying IPs to be transferred to VIPs
 - VIP tariff will apply to new and existing contracts → some shippers will pay more and some shippers will pay less for existing contracts
 - Contracting, nomination, allocation and confirmation on VIP
 - Differences in VIP implementation between NNOs to be solved by TSOs

Status update continued

- At the end of 2017 still ongoing discussions in Germany between TSOs and NRA regarding the wording of NC CAM
- The German NRA asked the European Commission to clarify the text of the NC CAM article 19.9
- The letter of the Commission showed that the legal and regulatory framework is in fact not clear
- Unclear:
 1. In order to meet the conditions posed in the NC CAM article 19.9 and to comply with the intention of article 19.9 the existing contracts should be transferred from the underlying IPs to the VIP*
 2. the text of the NC CAM article 19.9 only requires a TSO to offer available capacity at the VIP and does not prescribe the transfer of existing contracts from an underlying IP to the VIP**

* And ** The Commission advises the TSOs to act accordingly (1) knowing that their advice is not sanctioned by the NC CAM (2)

Where does this leave the shippers and TSOs

- The general concept of a VIP is widely supported by shippers
- ACM and GTS both concluded that, given the letter from the Commission, the VIP implementation as proposed by GTS can not proceed
- GTS decided to put the implementation on hold, waiting for the Commission, ACER and ENTSOG to provide a clear legal and regulatory framework for implementation of VIPs
- Some GTS shippers oppose the transfer of existing contracts from an IP to a VIP because of the resulting tariff increase for their existing contracts
- NRAs and TSOs all have their (own differing) views on how to proceed, no unanimous position within ACER and ENTSOG.
- Creating clarity on the legal and regulatory framework will take several months if not longer; End of 2018 as best guess.
- VIPs will most likely not be in place by 1 November 2018

Identified options for the way forward

A number of options to move forward have been discussed with other TSOs within ENTSOG and a few seem to have wider support

1. Implement VIPs as originally proposed once the NC TAR is in place
2. Wait for a clear legal and regulatory framework
3. Implement VIPs, transfer the existing contracts to the VIP, keep the IP tariffs in place for the existing contracts and apply the VIP tariff to new contracts only

The proposals by FNB-gas (DE):

4. Implement VIPs for available capacity only and leave existing contracts on the IPs
5. Implement VIPs on 1/11/2018, activate a VIP on the date the longest existing contract ends.

Option 1; Wait on NC TAR

- **Advantages**
 - Straightforward proposal
 - removes the tariff effects (assuming postage stamp as RPM)
 - GTS can implement solution as proposed and discussed before
- **Disadvantages**
 - Implementation by 1 January 2020
- **Other remarks**
 - Requires comfort from ACM
 - Preferred solution from standpoint of ease of implementation for GTS
 - Trigger points from consultation are addressed:
 - Diversion for more (V)IP-combinations
 - No option to cancel or amend transport contracts

Option 2; Wait for clear Legal & Regulatory framework

- **Advantages**
 - Provides clarity for all market parties
 - Enables uniform implementation
- **Disadvantages**
 - New version of the NC CAM may take months if not longer
 - Uncertainty with regard to implementation date
- **Other remarks**
 - Feasibility depends on position of ACER and other TSOs
 - Preferred solution from a standpoint of clarity for market parties
 - EFET and BDEW letters received by FNB-gas (DE) support this option

Option 3; VIPs with IP tariff for existing contracts

Implement VIPs, transfer the existing contracts to the VIP for operational aspects, keep the IP tariffs in place for the existing contracts and apply the VIP tariff to new contracts only

- **Advantages**
 - Implementation will be somewhere halfway 2019 instead of 1/1/2020
 - No financial effect for existing contracts
- **Disadvantages**
 - May impact diversion, capacity conversion, transfer of capacity
 - Potential extra IT costs to bridge a short period
- **Other remarks**
 - Requires comfort from ACM, ACM decides on tariffs
 - IP tariff will only last until NC TAR is implemented (assuming postage stamp as RPM)
 - Some IP tariffs are higher than VIP tariff

Option 4; dual model IPs next to VIPs

Implement VIPs for available capacity only and leave existing contracts on the IPs, as proposed by FNB-gas in DE

- **Advantages**
 - Straightforward proposal
 - Implementation somewhere halfway 2019
 - No negative financial consequences for existing contracts
- **Disadvantages**
 - Higher IT costs as operational IT systems must be able to handle both mechanisms
 - May impact services like diversion, conversion, transfer of capacity
 - Extra IT costs to bridge a short period
 - Shippers must be able to handle two systems as well
- **Other remarks**
 - Is only advantageous until NC TAR is implemented (assuming postage stamp as RPM)
 - Some IP tariffs are higher than VIP tariff
 - Needs NRA approval

Option 5; activate VIP once existing contracts have ended

Implement VIPs on 1/11/2018, activate a VIP on the date the longest existing contract ends, as proposed by FNB-gas in DE.

Capacity for the years after activation date is sold at the VIP, capacity for the years before the activation date is sold at the IP.

- More or less a variant of option 1
- The date the VIP starts differs per VIP, depending on contract situation
- Once NC TAR is in place this option has limited added value compared to option 1

GTS requests your feedback on the way forward, and hands you some food for thought:

- A clear legal and regulatory framework provides certainty for all market parties and may enable a more uniform implementation of VIPs throughout Europe
- Option 1 will give GTS sufficient comfort to implement VIPs as we proposed earlier and will resolve the main issues as expressed by market parties during the consultation in November 2017
- Options 3&4 are far more complex from an operational (3) or commercial (4) perspective and will require major changes in our IT systems. No negative financial consequences for existing contracts
- Options 3&4 still do not offer a proper legal and regulatory framework while the additional IT costs and complexity are needed to bridge a short period until 1 January 2020 (NC TAR)
- Option 5 has little added value to option 1

Your views on the way forward

We presented a number of options that were discussed within ACER and ENTSOG and we gave some background on these options. This is just one part of the equation and we invite you to share your views on how to move forward.

Discussion on the way forward from a shippers perspective (Statements / questions)

1. VIPs are an improvement for shippers from an operational perspective
2. The VIP implementation as initially proposed by GTS has one major disadvantage: negative financial consequences for existing contracts
3. Option 1, wait for NC TAR, will resolve this issue for the shippers (who face a tariff increase for their existing contracts)
4. GTS should implement option 3 or 4 without delay despite the higher costs and the limited added value in view of the pending implementation of NC TAR
5. The best way to move forward is to wait for the Commission to provide a proper legal and regulatory framework