

ANNEX 4: Information for the periodic consultation as required by Article 26.1 of the TAR Code

Article reference	26	Text	Information /comment
1		<p>One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:</p>	
	(a)	<p>the description of the proposed reference price methodology as well as the following items:</p>	<p>INT is a merchant interconnector between markets. It is just one of a number of flexibility providers to the markets it connects. INT's customers are not captive. These customers can choose alternative routes to get gas to their customers. INT's tariffs are therefore constrained by the competitive flexibility market. This means flows and resultant bookings are difficult to predict and hence makes forecasting capacity bookings difficult. A target revenue divided by forecasted bookings approach cannot be used to determine the tariffs. As a merchant interconnector with full market exposure, INT needs the ability to respond to changing market conditions and compete fairly with other flexibility assets.</p> <p>Taking the above into account, the CM outlines that INT prices will be determined by a number of factors including costs, competitive forces and a range of market scenarios. Furthermore, whilst the CM provides INT with flexibility to adjust tariffs in order to compete in the flexibility market, it also contains safeguards. These safeguards include a tariff notification publication timetable. It also contains multiplier caps above which INT cannot price products to safeguard against excessive pricing.</p> <p>In addition, through a separate Belgian INT financial control, CREG monitors INT through regular financial reporting obligations. This provides an appropriate balance between enabling INT to compete effectively whilst ensuring appropriate transparency and protection for users.</p>
	(i)	<p>the indicative information set out in Article 30(1)(a), including:</p>	<p>See below.</p>
	(1)	<p>the justification of the parameters used that are related to the technical characteristics of the system;</p>	<p>See below and also note description of CM in comments under Article 26(1)(a).</p>
	(2)	<p>the corresponding information on the respective values of such parameters and the assumptions applied.</p>	<p>The INT website has the following information:</p>

				<p>30(1)(a)(i) The technical capacity of the interconnector and associated assumptions¹.</p> <p>INT has a derogation from Article 30(1)(a)(ii) and (iii).</p> <p>30(1)(a)(iv) The structural representation of the transmission network².</p> <p>30(1)(a)(v) Additional technical information - length, diameter of pipeline and power of compressor stations³.</p>
		(ii)	the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;	Not applicable: No Storage or LNG sites are directly connected to INT.
		(iii)	the indicative reference prices subject to consultation;	Derogation
		(iv)	the results, the components and the details of these components for the cost allocation assessments set out in Article 5;	Not applicable: Derogation from Article 5.
		(v)	the assessment of the proposed reference price methodology in accordance with Article 7;	<p>Article 7(a) - Derogation from obligation which refers to being able to reproduce and forecast tariffs.</p> <p>Article 7(b) requires the actual costs incurred for the provision of transmission services to be taken into account. As outlined in the CM, both OPEX and CAPEX are key factors determining prices as well as competitive forces⁴. Furthermore INT's commodity charges in section 6 and the INT Charging Statement also reflects actual costs of using electricity or gas compressors to transport gas.</p> <p>Under Article 7(c) the price methodology must ensure non-discrimination and prevent undue cross subsidisation. As part of INT's third party access obligations, the CM is consulted on with stakeholders and views considered before NRA review and approval. As outlined in the CM, prices are determined by the same factors regardless of duration or type of allocation method. The same terms and conditions are also transparent and available all shippers. The CM therefore ensures non-discrimination.</p> <p>With respect to undue cross subsidisation: it should be noted that all INT shippers are cross system network users (transporting gas to customers in another entry/exit system) and there is no undue cross subsidisation.</p> <p>Furthermore, whilst ensuring a commitment to no undue discrimination, the CM also allows prices to differ for different Entry and Exit points, types</p>

¹ Information on INT's technical capacity and associated assumptions:

<https://www.fluxys.com/en/about-us/interconnector-uk/infrastructure>

² The structural representation of the INT network: <https://www.fluxys.com/en/about-us/interconnector-uk/infrastructure>

³ For length of pipeline, pipeline pressure, Bacton & Zeebrugge terminal info: <https://www.fluxys.com/en/about-us/interconnector-uk/infrastructure>

⁴ In addition, through a separate Belgian INT financial control, INT also provides CREG financial reports including cost information.

				<p>of capacity, durations of time and capacity periods to reflect the different underlying market and cost conditions. Additionally, the commodity charges also reflect the actual cost to flow gas depending on the direction of flow (by linking the commodity charge formula to either gas or electricity markets) to recognise the fact that different types of compressors are used in each direction.</p> <p>Article 7(d) is not relevant as INT has no final customer connections.</p> <p>Under Article 7(e) the methodology must ensure prices do not distort cross border trade: The CM does this. The specific nature of interconnectors means flows and resultant bookings are difficult to predict and hence deriving tariffs through a target revenue over forecasting bookings is not appropriate. INT as a merchant interconnector is exposed to the market and competing assets. It must price in such a way as to attract customer demand. The market acts as an effective constraint against excessive prices and INT is fully incentivised to ensure its prices do not distort cross border trade. The CM accordingly outlines factors in determining prices which include competitive forces and the prices of competing and complementary services. It also provides INT appropriate flexibility to adjust its prices to ensure its prices remain attractive as market and competitive conditions change. The pricing publication timetable in Annex 1 of the CM also ensures a transparent timetable commitment for when prices must be notified to the market.</p>
		(vi)	where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii);	Derogation.
	(b)		the indicative information set out in Article 30(1)(b)(i), (iv), (v);	Not applicable: Derogation from Article 30(1)(b)(i), (iv), (v).
	(c)		the following information on transmission and non-transmission tariffs:	
		(i)	where commodity-based transmission tariffs referred to in Article 4(3) are proposed:	The Commodity Charge is a flow based charge levied to cover the cost to flow gas.
		(1)	the manner in which they are set;	<p>The INT Commodity Charge is a flow based charge levied to cover the cost to flow gas from either Bacton or Zeebrugge.</p> <p>Section 6 of the CM and Section 6 of the Charging Statement⁵ outline how the commodity tariffs are set. This includes a clear, transparent formula taking into account either electricity or gas market commodity prices.</p>
		(2)	the share of the allowed or target revenue forecasted to be recovered from such tariffs;	Not applicable: INT has no allowed revenue or target revenue.

⁵ The INT Charging Methodology and Charging Statements can be viewed here: https://www.fluxys.com/en/natural-gas-and-biomethane/empowering-you/tariffs/tariff_interconnector

			(3)	the indicative commodity-based transmission tariffs;	Section 6 of the INT Charging Statement outlines the formula used to calculate the Commodity Charge which includes the relevant gas or electricity market price. The actual price is published on the INT website under the commodity tab ⁶ .
		(ii)		where non-transmission services provided to network users are proposed:	
			(1)	the non-transmission service tariff methodology therefor;	Only the INT Monthly Administrative Fee is a non-transmission service. The charges are cost reflective and set out in the INT charging statement.
			(2)	the share of the allowed or target revenue forecasted to be recovered from such tariffs;	Not applicable, INT has no allowed revenue or target revenue.
			(3)	the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);	Not applicable, INT has no allowed revenue or target revenue.
			(4)	the indicative non-transmission tariffs for non-transmission services provided to network users;	Only the INT Monthly Administrative Fee is a non-transmission service. The charges are outlined in the INT charging statement ⁷ .
	(d)			the indicative information set out in Article 30(2);	Not applicable: INT has a derogation from Article 30(2).
	(e)			where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity;	Not applicable: INT does not operate under a price cap regime.
		(i)		the proposed index;	Not applicable, see above.
		(ii)		the proposed calculation and how the revenue derived from the risk premium is used;	Not applicable, see above.
		(iii)		at which interconnection point(s) and for which tariff period(s) such approach is proposed;	Not applicable, see above.
		(iv)		the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.	Not applicable, see above.

⁶ See footnote 5

⁷ See footnote 5.