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Agency for the Cooperation of Energy Regulators

The internal gas market in Europe: The role of transmission tariffs

European Union Agency Report on the application of reference price methodologies in Member States

Country Sheets

Volume II

6 April 2020

European Union Agency for the Cooperation of Energy Regulators
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Disclaimer

(1) The second volume of the Report contains the country sheets assessing the motivated decisions published by NRAs in light of the recommendations the Agency made in its Reports according to Article 27(3) of the NC TAR. The motivated decisions were issued pursuant to Article 27(5) of the NC TAR. The motivated decisions followed the final consultations published by either the NRA or the TSO, as decided by the NRA.

(2) As the first volume of the Report points out, not all the Member States finalised their processes according to Article 27(5) of the NC TAR. Therefore, only 19 MSs are part of this assessment: BE, CZ, DE, DK, EE, EL, HR, HU, IE, IT, LT, LV, NI, NL, PL, PT, RO, SE, SI, SK (LU holds an exemption).

(3) The following MSs are not part of this assessment: AT, BG, ES, FR, GB. In addition, this volume does not include an assessment for the motivated decisions of BBL and IUK interconnectors, which follow derogations according to Article 37 of the NC TAR and hence ran consultation processes according to these derogations.

(4) Each country sheet assessing the motivated decisions published by NRAs is structured as follows:

- Summary of the motivated decision including information on the applied RPM, the non-transmission tariffs and the commodity tariffs applied;
- Assessment of how the recommendations provided by the Agency on its review of the consultation have been taken into account;
- Assessment provided by the Agency of how the publication requirements for the tariff consultation and the motivated decision have been followed;
- Other tariffs charged by the TSO.

(5) The Agency notes that the assessments included in these country sheets are not based on an in-depth analysis of the motivated decision, but rather on a self-evaluation provided to the Agency by the NRAs. For this reason, these assessments do not look into the motivated decision with the same level of detail as the Tariff Reports published by the Agency on the final consultations.

(6) The Agency flags the compliance issues that it has been able to identify based on the information it received. It should be noted that the full compliance analysis will be provided by the Agency Reports on the RPMs according to Article 27(3) of the NC TAR.

(7) The analysis provided in this volume should not be seen as a validation of specific implementation options set in the motivated decisions. Yet, the Agency believes that putting side-by-side its recommendations with the motivated decisions of the NRAs will provide a better understanding on the potential improvements reached in the motivated decisions.

(8) The assessments follow a balanced evaluation and the evaluation proportionately scores issues of incompliance across the Member States. In some cases, the assessments resulted in 'blank scoring' in other words the Agency was 'unable to assess' the changes proposed in the motivated decisions. Blank scoring took place when insufficient information has been provided. In other cases,

the Agency provided ‘yellow’ marks for improved implementations appreciating the progress made in the motivated decision.

(9) Looking forward, the Agency notes that the scores provided in the current review may change over time. Should the Agency question the current assessment based on its periodical review cycles according to Articles 27(3) and 27(5) of the NC TAR, the Agency would overwrite the current assessment with the new results.

1. Country sheet: Belgium

1.1 NRA motivated decision

(10) Commission for Electricity and Gas Regulation ('CREG') has set the gas transmission tariffs following the motivated decision[1] published on 7 May 2019 for the following period:

- Duration of the regulatory period: 1 January 2020 – 31 December 2023;
- Duration of the tariff period: 1 January 2020 – 31 December 2023;
- Entry into force of new tariffs: 1 January 2020.

(11) CREG sets tariffs for FLUXYS BELGIUM which is the TSO operating in the Belgian part of the BeLux market zone.

(12) CREG applies an inter-TSO compensation mechanism ('ITC'). Following the BELUX market merger, the TSO applies an inter-TSO compensation mechanism. Missing revenues, because of disappearing IP, are invoiced and collected by the Belgian TSO.

(13) The allowed or target revenue for the 4-year tariff period from 1 January 2020 to 31 December 2023 is EUR 1,200 million.

(14) CREG applies a CWD RPM.

(15) The following adjustments are applied to the RPM:

- Equalisation (all Entries are equalized and domestic exits are equalized);
- Discounts to points to and from storage facilities (100% discount to and 50% from storage facilities).

(16) The NC TAR foresees a CAA as laid out in Article 5 of the NC TAR. The result of the CAA is 2.59%. The cost drivers used for the calculation are forecasted contracted capacity and distance.

- The CAA ratio, with discounted products included, is 2.59%;
- The CAA ratio with discounted products excluded, is 5.93%.

(17) The applied RPM results in the following ratios:

- Capacity - commodity split: 95% - 5%;
- Transmission - non-transmission: 80% - 20%;
- Intra-system - cross-system: 47% - 53%;
- Entry-exit split: 33% - 67%.

(18) CREG applies an ex-ante discount for standard capacity products for interruptible capacity.

(19) CREG applies the following non-transmission services (the corresponding revenues are deemed confidential by CREG):

- Pressure reduction;
- Odorisation;

[1] CREG motivated decision available at https://www.creg.be/fr/publications/decision-b656g40.

- Quality conversion;
- Optical fibers along pipelines;
- Zeeplatform services;
- Hub services.

(20) CREG applies a flow-based charge. The TSO invoices 0.08% x commodity price at all entry and exit points.
- The share of the revenue to be recovered depends on the actual flows.

(21) The TSO does not apply fixed payable prices.

(22) The reconciliation of the TSO is performed every 4 years. On 31 December 2018 the regulatory account showed a positive amount of EUR 393 million. As of 31 December 2023, the regulatory account will be at maximum amount to EUR 100 million (over-recovery). This represents max 8% of the allowed revenue for 2020-2023. The reconciliation of the regulatory account is carried out based on the principles of cost reflectivity and tariff stability.

1.2 How has CREG addressed the recommendations made by the Agency in the Report on the final tariff consultation?

(23) In the Agency Report on the final consultation for Belgium, the Agency did not have access to the full calculation model from Fluxys to complete the assessment of the proposed RPM with respect to the criteria set by Article 7 of the NC TAR. This prevented the Agency from carrying out its assessment as required by Article 27(2) of the NC TAR. The Agency notes that this model has not been disclosed by Fluxys Belgium, and in the absence of such information a full assessment of the applied methodology is not possible. At the same time, the Agency notes that the information made available by CREG in the motivated decision, as part of the simplified model, has improved.

(24) The Agency recommended CREG to calculate the tariffs resulting from the application of the proposed methodology without factoring in the reconciliation of the regulatory account;
- CREG has addressed this recommendation by publishing additional information under §§ 54-55 of its motivated decision. In the period 2020-2023, EUR 300 million of the regulatory account will return to the network users, compared to EUR 250 million in the previous period 2016-2019. Without the use of the regulatory account, the 2020-2023 tariffs would be 23% higher than the proposed tariffs.

(25) The Agency recommended CREG to publish the missing information regarding the differences between prevailing tariffs and the tariffs that are under consultation, as specified in Article 30(2)(a)(i) of the NC TAR.
- CREG has addressed this recommendation by publishing in §§ 54-56 of its motivated decision additional information. CREG argues that the differences between the 2019 and 2020 tariffs primarily result from the following elements: the tariff methodology for 2020-2023 as set by the CREG on 28 June 2018, the use of the regulatory account and the implementation of the NC TAR. The effects of the tariff methodology and the use of the regulatory account result in proportional evolutions in all 2020 tariffs compared to those for 2019. Conversely, CREG argues that the RPM used to define the 2019 tariffs is based on the longest distance between

the entry point and the exit point, whereas the CWD method as used for the 2020-2023 tariffs considers the entry/exit model in its entirety and takes into account the fact that any entry point can supply all exit points and vice versa.

(26) The Agency recommended CREG to publish the information missing in the final consultation and the assessment required by Article 7 of the NC TAR with respect to the impact of the applied RPM on cross-border trade, as laid out in Article 26(1)(a)(v) of the NC TAR.

- CREG has addressed this recommendation by publishing additional information in §§ 63-66 of its motivated decision. CREG argues that by using the CWD reference price methodology, exit tariffs to adjacent markets (NBP, TTF, NCG, Gaspool and PEG) are reduced, meaning that cross-border trade is incentivized and not distorted. CREG argues that with an entry split of 33%, instead of 50%, the entry to the hub in Belgium is incentivized, which also boosts cross-border trade from other countries. Finally, conditional transport capacity services for which there are tariff reductions (corresponding to the restricted conditions of the service) make flows between cross-border hubs attractive, thereby contributing to an increase in the liquidity and churn rate of these hubs.

(27) The Agency recommended CREG to publish the missing information and the assessment required by Article 7 of the NC TAR with respect to volume risk.

- CREG has addressed this recommendation by publishing in §§ 61-62 of its motivated decision additional information. CREG has observed that Fluxys Belgium has been cautious, but correct, in its forecasts for the sale of capacity at border exit points, and therefore at entry points. CREG considers that the probability that, during the new period, final customers in this entry-exit system will have to bear a volume risk, is limited to the strict minimum.

(28) The Agency recommended CREG to publish the information and the details on the components for the CAA, including how storage discounts, conditional products and other services are taken into account in the calculation, as required by Article 26(1)(a)(iv) of the NC TAR.

- CREG has addressed this recommendation by publishing in §§ 47-48 the information and the details on the components for the CAA, including additional information. The tariff reductions on transmission tariffs do not have the effect of increasing the results of the comparison indices beyond the level permitted by NC TAR. The result of the CAA is 5.93% without the inclusion of conditional products, and it is 2.59% with the inclusion of conditional products.

(29) The Agency recommended CREG to explain the increase of the CAA from 2020 to 2021.

- CREG has addressed this recommendation by explaining the reason in §§ 52-53 of its motivated decision. It has to do with the fluctuation of cross-border and domestic flows over the years. Between 2020 and 2021, the assumptions of contracted cross-border capacity decrease more than between the following years. Therefore, CREG argues it is better to take the average ratio over all the years.

(30) The Agency recommended CREG to classify all services appropriately as transmission services or non-transmission services, and propose tariffs that are in line with the requirements of Article 4 of the NC TAR.

- CREG has addressed this recommendation by explaining in §§ 45-46 of its motivated decision that services shall be considered as non-transmission services because they do not include distance and capacity as cost drivers.

(31) The Agency recommended CREG to publish the missing information regarding non-transmission services, as specified in Article 26(1)(c)(ii) of the NC TAR.

- CREG has addressed this recommendation by explaining in §§ 45-46 of its motivated decision that non-transmission services generate around EUR 60 million per year, representing around 20% of Fluxys Belgium's total allowed revenue. The tariff for each service is calculated by dividing the costs of each service by the quantities of each service that Fluxys Belgium expect to sell, based on sales in previous years.

(32) The Agency recommended Fluxys to publish the simplified tariff model with the forecasted contracted capacities and the annual reconciliation as changeable parameters to meet the requirements of Article 7(a) of the NC TAR.

- A simplified tariff model is published on FLUXYS[2].

(33) The Agency recommended CREG to explain how the missing revenues resulting from the application of storage discounts are recovered, given that no application of rescaling is mentioned in the consultation document.

- CREG has addressed this recommendation by publishing additional information under § 68 of its motivated decision. CREG notes that in the amended tariff proposal, these missing revenues are reconciled by all other entry and exit tariffs. Specifically, if there is a 50% reduction granted to a point, the Qrefs of the point in question are multiplied by 50%. If this point had EUR 100 of costs, it will have EUR 50 of costs after the correction, which must be covered by the tariffs. The displayed tariff will be the full tariff, i.e. EUR 100 kWh/h on which a 50% discount is applied, thereby generating EUR 50, meaning that the revenues equal the budgeted costs.

(34) The Agency recommended CREG to describe the approach to construct tariffs for the low-calorific gas entry and exit points.

- CREG has addressed this recommendation by explaining the approach in §§ 69-70 of its motivated decision. CREG explains that the correction of the cost allocation and tariffs for L-gas is made in the same way as for rebates on transmission tariffs to and from storage. The GCV correction factor of 11% is applied to the reference quantities, meaning that the costs allocated to the L-gas entry and exit points are increased. The CWD model then calculates the general tariffs. The tariffs for L-gas entries and exits are 11% higher (the difference between H and L measured), meaning that these tariffs generate the revenue necessary to cover their costs.

(35) The Agency recommended CREG to motivate the choice of the entry/exit split.

- CREG has addressed this recommendation by motivating the choice in §§ 59 and 64-66 of its motivated decision. The choice of a 33/67 split for the new period, instead of the 30/70 of the current period, was partly motivated to stabilize entry (and domestic exit) tariffs between the

[2] See link: https://www.fluxys.com/en/products-services/empowering-you/customer-interactions/fluxys-belgium-market-consultation-30.

two periods. The exit tariffs at interconnection points will evolve in any case because of the change in methodology. Moreover, CREG explains that a 50/50 entry-exit split would have led to increases in entry tariffs of more than 50%, allowing network users to get eventually out of their contracts, which would have had a negative effect on all tariffs.

(36) The Agency recommended CREG that the proposed tariff for the 'Injection Transmission Service' for the tariff period 2020-2023 is not compliant with Article 6(3) of the NC TAR. The Agency understands the aim of the 100% discount and invites CREG to consider if the policy objective to support renewable gas could be met in a different way than a discount on the entry tariff.

- CREG has abolished this discount. The entry tariff applies without discount.

(37) The Agency recommended CREG regarding the duration of the tariff period. The Agency remarks that tariffs are calculated for first year although they are extended for four years, adjusted for inflation. At the same time, the simplified model reports separate forecasts of the contracted capacity for each year for each point. Given that the capacity forecasts vary, the RPM would result in different tariffs for each year. By fixing the tariffs for four years based on the forecasted capacities for the first year, there may be under- or over-recoveries as the actual revenue contributions of the points are likely to be different in the subsequent years from the forecasted capacities of the first year, and the forecast error for the subsequent years is likely to be positively correlated with the length of the tariff period. These differences would be socialised via the reconciliation of revenues. Such mechanism would lead to cross-subsidies between users. The Agency recommends CREG to assess this effect in the motivated decision and to clarify the parameters and the thresholds that would lead to a change in the duration of the tariff period.

- CREG has addressed this recommendation by explaining the reasoning in § 72 of its motivated decision. In short, CREG explains that the costs and revenues over the four-year period are in balance, so there is no cross-subsidization between users over the period. It is true that Fluxys Belgium could have calculated different tariffs each year, but the stakeholders themselves, in previous consultations, expressed their preference to have tariff stability rather than tariff volatility.

(38) The following additional elements included in the motivated decision differ from the public consultation.

- The difference between transmission tariffs for Low calorific value gas represented 15% as compared to those for High calorific value. CREG has lowered the difference to 11%, which corresponds better to the underlying cost;
- The fix/flex tariff has been abolished;
- The entry tariff for biogas has been abolished.

(39) The table below summarises how the CREG has taken into account the recommendations made by the Agency.

Table 1: Compliance of the final consultation and the CREG motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7					Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over	Based on historical/forecasted flows	Applied at points other than IPs	CREG assessment
Final consultation		Unable to assess				Unable to assess								n.a.	n.a.	n.a.	n.a.
Motivated decision		Not assessed				Not assessed								n.a.	n.a.	n.a.	n.a.

(40) The Agency could not assess the compliance of the RPM with the principles in Article 7 of the NC TAR. Similarly, the Agency could not assess the compliance of the non-transmission services with Article 4(4) of the NC TAR. See paragraph (23) and (22) of this section.

1.3 Checklist information Article 26(1)

Table 2: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Incomplete	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Incomplete	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Incomplete	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

1.4 Other questions relevant to the applicable TSO tariffs

1.4.1 NRA motivated decision available in English

(41) Yes[3].

1.4.2 TSO services outside the motivated decision

(42) No.

[3] https://www.creg.be/sites/default/files/assets/Publications/Decisions/B656G40EN.pdf.

1.4.3 TSO revenues outside the scope of the NC TAR

(43) No.

1.4.4 Tariffs used to recover costs of any non-TSO activities

(44) The TSO collects a levy[4] that is outside the control of the TSO and the NRA. The TSO acts as a tax receiver.

1.4.5 TSO(s) provide tariffs that are not derived using the RPM (e.g. biogas, incremental capacity)

(45) The tariffs for non-transmission services follow a separate tariff setting methodology.

1.4.6 Expected date for the next NRA motivated decision

(46) Q2 2023.

[4] https://www.creg.be/fr/professionnels/fourniture/cotisation-federale.

2. Country sheet: Croatia

2.1 NRA motivated decision

(47) The Croatian Energy Regulatory Agency (HERA) has set the gas transmission tariffs following the motivated decision[5] published on 23 May 2019 for the following period:

- The regulatory period in Croatia is set to 5 years. The next regulatory period will span from 2022 to 2026. However, the final consultation covered the period from 2021 to 2026. 2021 represents the last year of current second regulatory period and the year in which the LNG terminal, and its connection to the Croatian transmission system, is expected to be commissioned. In the same way, HERA's motivated decision covers year 2021 in addition of the new (3rd) regulatory period foreseen as from 2022 to 2026;
- The tariff period is 5 years and equalized with the duration of the regulatory period. The tariffs for all the years of the regulatory period are calculated and published prior to the upcoming regulatory period. In its motivated decision, HERA has published indicative amounts of reference prices for the years from 2021 to 2026;
- HERA's tariff decision implementing the NC TAR is expected to be in force as of 1 January 2021, with the beginning of the new tariff period.

(48) HERA sets tariffs for the TSO Plinacro Ltd operating as the only gas transmission system operator in Croatia.

(49) The indicative aggregated amount of the TSO's allowed revenue from 2021 to 2026 is EUR 306.2 million, out of which EUR 54.5 million in 2021.

(50) HERA applies a postage stamp RPM.

(51) The following adjustments are applied to the RPM:

- Equalisation - the same reference price will be applied to all entry points, excluding connections from storage facilities and LNG terminal, and the same reference price will be applied to all exit points from the transmission system;
- Discounts to points to and from storage facilities – 90% and 100% discounts are granted to entries from storage facilities and to exits from storage facilities, respectively;
- Discounts to entry points from LNG – a 15% discount is granted to the entry from the LNG terminal.

(52) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA for 2021 is 12.8% and the cost driver used for the calculation was forecasted-contracted capacity.

- CAA is one of the instruments to evaluate cross-subsidisation and the result of 12.8% for the chosen RPM is slightly over threshold of 10%, and the risk of undue cross-subsidisation between intra-system and cross-system users is very limited, as Croatia is not currently a gas market with developed cross-system use. However, despite to new planned investments in system infrastructure, a competitive tariff for the LNG terminal and for the cross-border points favours potential future capacity bookings, which allows lower tariffs for all network users.

[5] NRA motivated decision available at https://www.hera.hr/en/html/public-consultation-2018-16.html.

- Results of CAA under different underlying methodologies:
  .i. CWD forecasted contracted capacity and distance 22.11%;
  .ii. CWD technical capacity and distance 22.3%

(53) The applied RPM results in the following ratios:
- Capacity - commodity split: 100% - 0%;
- Transmission - non-transmission: 100% - 0% (unrounded 99.6% - 0.4%);
- Intra-system - cross-system: 100% - 0%.

(54) HERA applies discounts for interruptible standard capacity products:
- Type of discount - ex-post;
- The ex-post compensation is equal to three times the reserved price for daily standard capacity products for firm capacity, paid for each day on which an interruption occurred.

(55) The NRA applies the following non-transmission services:
- Connection service to the transmission system and increase in the connection capacity, applied to entry/exit points of transmission system;
- Non-standard services. The scope and the pricing methodology of those services are regulated by specific methodologies, therefore they are not included in RPM.

The non-transmission revenue amounts to EUR 860,000 for the 2021-2026 period.

(56) The NRA does not apply commodity-based transmission tariffs.

(57) The TSO does not apply fixed payable prices.

(58) The reconciliation of the TSO is performed every 5 years. As of HERA's decision from 2017, covering years of the regulatory period from 2014 to 2016, the regulatory account amounts to EUR 4.3 million (discounted value of under-recovery). This value was distributed to the years of next regulatory period 2017-2021, out of which EUR 1.7 million for the year 2021. This represents 3% share of the allowed revenue for the year 2021. The reconciliation of the regulatory account is carried out based on the following principles:
- During the last year of the regulatory period, an audit of the allowed revenues is performed. It aims at assessing the differences between the initially expected components of the allowed revenue (OPEX, depreciation, return on regulated assets and revenues from the non-transmission services) and the actually realised revenues for the same regulatory period;
- The determined difference is set to net present value and allocated proportionally to each year of the next regulatory period, calculated as future values powered by WACC.

2.2 How has HERA addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(59) In the Report of the Agency[6] analysing the tariff consultation of Croatia, the Agency recommended HERA to reassess the classification of the services provided by the TSO and which were in final consultation considered neither as transmission services nor as non-transmission services.

- HERA has followed this recommendation and has classified those services as non-transmission in its motivated decision.

(60) Some elements included in HERA's motivated decision differ from the public consultation. Indeed, HERA published its Final Consultation Document on the proposal of the RPM on 18 December 2018. In parallel with the public consultation, LNG Croatia and Plinacro organised a coordinated Open Season procedure for capacities connected to the LNG terminal Krk. This Open Season ended on 31 January 2019 and its results had a significant impact on the RPM proposed by HERA and the underlying forecasts of capacity:

- Based on the results of the binding Open Season, forecasted contracted capacities for 2021-2026 for entry from the LNG terminal were adjusted (reduced) to the amount of equivalent transmission capacity of 0.52 Bcm/y and forecasted contracted capacities on interconnection exits for the period 2021-2026 were excluded, as there was no market interest expressed;
- Forecasted entries on interconnections were slightly lowered due to 0.52 Bcm/y instead of 0.5 Bcm/y of gas from LNG dedicated for domestic users;
- New applicable tariffs for 2021-2026 have been recalculated under a floating price approach, due to a lower than expected booked capacities resulting from the Open Season, but under the same parameters specified and proposed in the Final Consultation.

(61) The table below summarises how the HERA has taken into account the recommendations made by the Agency.

Table 3: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted	Applied at points other than IPs	NRA assessment
Final consultation											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

[6] Agency Report available at https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Croatia.pdf.

2.3 Checklist information Article 26(1)

Table 4: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Partially	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	Yes	N.A.

2.4 Other questions relevant to the applicable TSO tariffs

2.4.1 Is the NRA motivated decision translated to English?

(62) Yes.

2.4.2 Access to networks services set outside the motivated decision

(63) No. Within its Final Consultation Document, HERA has considered several other services provided by the TSO (including connection and non-standard services), which were later classified in the motivated decision, as non-transmission. Furthermore, HERA has published the list of these services, explained the regulatory framework applied to them (with reference to respective legal acts) and explained how they are remunerated.

2.4.3 TSO revenues outside the scope of the NC TAR

(64) No.

2.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(65) No.

2.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(66) No.

2.4.6 Expected date for the next NRA tariff motivated decision

(67) No later than 2024.

3. Country sheet: Czech Republic

3.1 NRA motivated decision

(68) Energy Regulatory Office ('ERU') has set the gas transmission tariffs following the motivated decision[7] published on 27 May 2019 for the following period:

- Duration of the regulatory period:
  - .i. 4th regulatory period: 1 January 2016 – 31 December 2020;
  - .ii. 5th regulatory period: 1 January 2021 – 31 December 2025 (a motivated decision is expected to be applicable until 31 December 2024 – Article 27(5) NC TAR).
- Duration of the tariff period is one calendar year in the Czech Republic. The price decision containing tariffs for IPs and UGS for 2020 is available at ERU's website[8], tariffs for DSOs and DCC for 2020 are published in the separate price decision available also at ERU´s website[9].
- Entry into force of new tariffs: 1 January 2020.

(69) ERU sets tariffs for the NET4GAS, s.r.o., operating in the Czech Republic (only one TSO operates in the Czech Republic in one market zone).

(70) ERU applies two distinct regulatory regimes, a revenue cap regime for the parts of the Czech transmission system used to supply Czech consumers (national transmission) and a price cap regime for those parts used to flow gas to neighbouring countries (international transmission). In order to reflect the volume risk, ERU adds a risk premium to the remuneration rate applied to the assets used for international transmission.

(71) The sum of planned allowed and target revenues for the national and international transmission services, respectively, until the end of the fifth regulatory period can be found in motivated decision in Chapter 9.3.6 (the allowed and target revenues amount to CZK 1,635 million and CKZ 4,744 million in 2020). The updated values of these revenues are yearly published at ERU's website[10] in line with the Article 30 NC TAR.

Revenue (CZK thousand)	2020	2021	2022	2023	2024	2025
Allowed revenue	1 635 158	1 679 733	1 725 538	1 772 608	1 820 979	1 870 685
Target revenue incl. risk premium	4 743 676	4 843 293	4 945 002	5 048 847	5 154 873	5 263 126

(72) ERU applies a CWD RPM.

(73) The following adjustments are applied to the RPM:

- Equalisation[11]
- Rescaling. Reference prices at all entry points and all exit points are adjusted by multiplying their values by a constant. Application of discount to capacity-based transmission tariffs at entry

[7] NRA motivated decision available at www.eru.cz/documents/10540/3795241/Decision_TAR_NC_ENG.pdf.

[8] http://www.eru.cz/documents/10540/480864/1_2019_eng.pdf.

[9] http://www.eru.cz/documents/10540/5228943/ERV7_2019.pdf (available only in Czech).

[10] www.eru.cz/en/informace-podle-tar-nc.

[11] The description of equalisation can be found in the motivated decision in Chapter 9.3.6.

points from and exit points to storage facilities would cause the under-recovery of transmission system operator's revenue. ERU decided to use rescaling to prevent this under-recovery and multiplied the reference prices by constant.

- Discounts to points to and from storage facilities of 70%[12].

(74) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is published in motivated decision in Chapter 9.3.7, and amounts to 2.9% in 2020. The cost drivers used for the calculation are forecasted-contracted capacity and distance.

(75) The applied RPM results in the following ratios:

- Capacity - commodity split: 93.3%/6.7% in 2020 (see Chapter 16.1.3. of motivated decision)

Capacity-commodity split	2020	2021	2022	2023	2024	2025
Capacity	93.27%	85.98%	80.48%	80.83%	81.17%	81.51%
Commodity	6.73%	14.02%	19.52%	19.17%	18.83%	18.49%

- Transmission - non-transmission: Non-transmission services are not provided in the Czech Republic.
- Intra-system - cross-system: 25.6%/74.4% in 2020 (see Chapter 16.1.3. of motivated decision)

Intra-system/cross-system split	2020	2021	2022	2023	2024	2025
Intra-system	25.63%	25.75%	25.87%	25.99%	26.10%	26.22%
Cross-system	74.37%	74.25%	74.13%	74.01%	73.90%	73.78%

(76) The ERU applies ex-post discounts for standard capacity products for interruptible capacity.

(77) The ERU does not apply any non-transmission services.

(78) The ERU applies commodity-based transmission tariffs[13]:

- The share of revenue to be recovered by these tariffs is detailed in the paragraph 54 of the present document;
- These commodity-based transmission tariffs are applied at all exit points.

(79) The NET4GAS applies fixed payable price (since a price cap regime applies to an important part of the Czech transmission system). The description of application of fixed payable price can be found in the chapter 20 of ERU's motivated decision.

(80) The reconciliation of the NET4GAS is performed every year. As of 31 December 2018, the regulatory account amounts to CZK 209 million (under-recovery). This represents 11% of the allowed revenue for 2020. The reconciliation of the regulatory account is carried out based on the principles described in the motivated decision in Chapter 9.3.9.

[12] The description of discounts to points to and from storage facilities (amounting to 70%) can be found in the motivated decision[1] in Chapter 9.3.8.

[13] The description of setting commodity-based transmission tariffs can be found in the Chapter 17 of the motivated decision.

3.2 How has ERU addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(81) In the Report of the Agency[14] analysing the tariff consultation of Czech Republic, the Agency recommended ERU to include an assessment of the RPM against the criteria in Article 7(a), (b) and (e) of the NC TAR.

- ERU considers that it has addressed this recommendation[15]. From the ERU's point of view this assessment is sufficient and the requirement laid out in Article 26(1)(a)(v) is fulfilled.

(82) The Agency recommended ERU to include further justification and data regarding the cost allocated to national and to international transmission, respectively, the risk premium and the setting of the regulatory account, to allow a proper assessment of the RPM against the cost-reflectivity requirement.

- ERU considers that it has addressed this recommendation by extending the chapter regarding the risk premium and by adding new chapter regarding the regulatory account and its reconciliation[16].

(83) The Agency recommended ERU to include the share of the allowed or target revenue forecasted to be recovered from commodity-based transmission tariffs.

- ERU is of the opinion that Chapter 17.1.3. explains its approach to the commodity revenue share in the sufficient manner. Therefore, ERU considers that the Agency's recommendation is not applicable.

(84) The Agency recommended ERU to include all information listed in Article 26(1)(e) of the NC TAR on the fixed payable price approach.

- ERU considers that it has addressed this recommendation by extending the chapter describing the fixed payable price approach[17].

(85) The Agency recommended ERU to include an updated simplified model, so network users can use the model to reproduce and forecast the tariffs.

- ERU has addressed this recommendation by publishing the updated simplified model on its website.

(86) The Agency recommended ERU to calculate reference prices covering the yearly allowed and target revenues without excessive transfer from one year to another.

- ERU considers that it has addressed this recommendation by extending Chapter 9.3.4. of motivated decision in which ERU explains its approach and highlights the benefits of using NPV approach.

[14] Agency Report available at https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20Analysis%20of%20the%20consultation%20document%20for%20Czech%20Republic.pdf.

[15] The assessment of the proposed reference price methodology in accordance with Article 7 is not in the separate chapter but can be found through the text of the whole motivated decision (focus mainly on extended chapter 9.3.4. and chapters 9.2, 9.3.10 and 14).

[16] See Chapters 9.3.3. and 9.3.9. of the motivated decision.

[17] See Chapter 20 of the motivated decision.

(87) The Agency recommended ERU to set the flow-based charge in such a way that it would be the same at all entry points and all exit points in accordance with the Article 4(3) of the NC TAR.

- ERU is still of the opinion that applying a single tariff to all exit points under Article 4(3)(a)(ii) of the NC TAR would result in considerable cross-subsidisation between the various types of users and would be contrary to the objectives of cost allocation required by the NC TAR[18].

(88) The Agency recommended ERU to only offer a fixed payable price approach at cross-border exit points where the only applied regulatory regime is a price cap.

- ERU considers that it has addressed this recommendation by extending the chapter describing the fixed payable price approach[19].

(89) The following additional elements included in the motivated decision differ from the public consultation:

- The discount applied to tariffs for storage facilities under Article 9 NC TAR attracted the single largest number of responses in the consultation on the NC TAR. The users requested a considerable increase of the discount from the proposed 50% to a level of up to 100%. That was the reason for adding new Chapter 9.3.8. into the motivated decision, in which the level of discount applied to tariffs for storage facilities (70%) is explained and justified;
- ERU's motivated decision includes a new Chapter 17.1.5 in which the correction mechanism for commodity-based transmission tariffs are descripted.

(90) The table below summarises how ERU has taken into account the recommendations made by the Agency.

Table 5: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation							n.a.	n.a.	n.a.	n.a.					n.a.	n.a.	n.a.	n.a.
Motivated decision							n.a.	n.a.	n.a.	n.a.					n.a.	n.a.	n.a.	n.a.

(91) ERU provided a significant amount of additional information in its final decision. The level of transparency of the decision has improved compared to the public consultation. However, the Agency could not, at this stage, reassess the compatibility of the transmission tariff in the Czech Republic with the NC TAR, in particular with regard to:

- The coexistence of the price cap and revenue cap regimes and;
- The implementation of the commodity charge.

[18] See the Chapter 17.1.2. of the motivated decision.

[19] See Chapter 20 of the motivated decision.

3.3 Checklist information Article 26(1)

Table 6: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	No assessment regarding Article 7(a), (b) and (e)	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Incomplete. The share of the target or allowed revenue forecasted to be recovered from such tariffs is not provided	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	N.A.
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	Incomplete	Yes

3.4 Other questions relevant to the applicable TSO tariffs

3.4.1 Is the NRA motivated decision translated to English?

(92) Yes[20].

3.4.2 1.4.2 Access to networks services set outside the motivated decision

(93) No.

3.4.3 TSO revenues outside the scope of the NC TAR

(94) Yes. The revenue for operating the Gazelle pipeline (Exemption of the 'Gazelle' interconnector according to Article 36 of Directive 2009/73/EC and exemption of the 'Gazelle' interconnector from ownership unbundling within the meaning of Article 9 of Directive 2009/73/EC).

[20] See footnote 7.

3.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(95) No.

3.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(96) No.

3.4.6 Expected date for the next NRA tariff motivated decision

(97) Not decided yet.

4. Country sheet: Denmark

4.1 NRA motivated decision

(98) Danish Utility Regulator ('DUR') has set the gas transmission tariffs following the motivated decision[21] published on 31 May 2019 for the following period:

- Duration of the regulatory period: 3 years, 1 October 2019 – 1 October 2022;
- Duration of the tariff period: 1 year;
- Entry into force of new tariffs: 1 October 2019.

(99) NRA sets tariffs (methodology) for the TSO (Energinet) operating in the Danish Gas Market Zone.

(100) The allowed or target revenue for the gas year 2019-2020 is DKK 423 million (EUR 56.6 million). However, in principle, we do not speak of allowed revenue as we do not have an income cap regulation but a system where 'necessary costs' can be covered by the transmission tariffs. Thus, the amount is the budgeted 'necessary costs'.

(101) NRA applies a postage stamp RPM. The methodology is applied to the national TSO.

(102) The following adjustments are applied to the RPM:

- Discounts to points to and from storage facilities of 100%;

(103) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 12% (2019/20), 9% (2020/21) and 11% (2021/22). The cost drivers used for the calculation are forecasted-contracted capacity and distance. A sensitivity analyses show that the uniform RPM is more robust and has lower CAA compared to the CWD for the period, when the Tyra gas-field is being shut down (2019-2022). After the Tyra period[22], both the uniform method as well as the CWD have values below 10%. DUR provides, in Annex 1, a table showing the CAA results for the period 2019/20-2024/25 for the uniform tariff methodology (the chosen tariff method) compared to the CWD and the tariff method before NC TAR (called 'current method' in the table).

Table 7: CAA results for the period 2019/20-2024/25 for the postage stamp compared to the CWD methodology.

Comparison Index [-]		CWD	Uniform tariff	Current method	Commodity
Cost driver		*CWDxcapacity*	*CWDxcapacity*	*CWDxcapacity*	*CWDxcommodity*
2019/2020		0,22	0,12	0,10	0,09
2020/2021		0,23	0,09	0,05	0,16
2021/2022		0,23	0,11	0,06	0,04
2022/2023		0,03	0,07	0,13	0,06
2023/2024		0,02	0,06	0,13	0,04
2024/2025		0,02	0,05	0,12	0,03

Source: DUR, Motivated decision - page 36.

[21] NRA motivated decision available at www.https://forsyningstilsynet.dk/gas/afgoerelser/godkendelse-af-ny-tarifmetode-for-det-danske-transmissionssystem-for-gas.

[22] The Tyra gas field in the North Sea is shut down from September 2019 to July 2022. The redevelopment will restore the Danish processing and export centre of gas. During the redevelopment period gas supplies from the North Sea will be significantly decrease, while imports through Ellund Entry IP provide the majority of gas supply to the Danish and Swedish markets. This has impact on both cross-system flows and on the cost base of the system.

(104) The applied RPM results in the following ratios:

- Capacity - commodity split: 70% - 30%;
- Entry - exit split: 50% - 50% (65% - 35% including commodity charges);
- Transmission - non-transmission: 80% - 20%;
- Intra-system - cross-system: 40% - 60% (50% - 50% including commodity).

(105) The NRA applies ex-ante discounts for standard capacity products for interruptible capacity.

(106) The NRA applies a non-transmission service: An Emergency tariff which is applied to all domestic exit volumes. The total cost allocated via the Emergency Tariff for 2018/19 was DKK 52.3 million[23]. It is considered an allocable cost and not an allowed revenue as the terminology 'allowed revenue' is associated with an income cap regulation which is not applied in Denmark.

(107) The NRA applies commodity-based transmission tariffs (flow-based charge). The share of revenue recovered by these tariffs is 30%. The charge is levied at all exit points – excluding the virtual storage point.

(108) The TSO applies floating payable prices and does not apply fixed payable prices.

(109) The reconciliation of the TSO is performed every gas year. At year-end 2019, the regulatory account amounts to DKK 88 million over-recovery (EUR 11.7 million (over-recovery)). This represents 20% of the cost base for the gas year 2019/20. The reconciliation of the regulatory account is carried out based on the following principles:

- Main provision: over-recovery or under-recovery is to be reconciled in the next gas year following the gas year in which the over-recovery/under-recovery was accumulated. However, in case of significant over-recovery or under-recovery, the reconciliation can be extended to cover a longer period to avoid to large tariff variations from year to year.

4.2 How has NRA addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(110) The consultation proposed a flow-based charge covering 40% of the revenue of the TSO. According to Article 4(3)(a), the flow-based charge is levied for the purpose of covering the costs mainly driven by the quantity of the gas flow, which normally are not as high as the levels proposed in the consultation. The Agency recommended that DUR assess if there is a strong correlation between the total operational costs and the quantity of gas flow and if this is not the case, to reduce the share of commodity-based transmission tariffs.

- The NRA has reduced that share of revenue to be recovered from commodity tariffs from 40% to 30%. The Agency acknowledges that DUR has opted not to change the split dramatically ahead of the very critical period (Tyra) that the Danish gas system is facing. DUR will reduce the commodity share further in its next motivated decision unless the TSO produces concrete evidence that the costs related to actual gas flow is close to 30%.

[23] See page 63 of the motivated decision.

(111) The Agency recommended DUR to set the same flow-based charge for all exit points as the charge was not proposed at to be applied at exit points to storage facilities.

- DUR has not set the same flow-based charge at all exit points as it applies a discount on tariffs (both commodity and capacity) to and from storage points of 100%.

(112) The Agency recommended DUR to fix the period up front for which the tariff methodology applies, or second-best describe the circumstances that will lead to a new tariff review.

- DUR has set a regulatory period of 3 years for the first approval after NC TAR[24].

(113) The Agency recommended DUR to elaborate on why the postage stamp methodology is more robust considering also the tariff period and analyse the effects that different choices for an RPM would have on the level of cross-subsidisation, and publish the results of such an analysis.

- DUR has elaborated on the question of robustness in its final decision and has e.g. made sensitivity scenarios to underpin the robustness considerations[25].

(114) The Agency recommended DUR to include an assessment of the compliance of the proposed RPM with Article 7(d) of the NC TAR regarding volume risk.

- DUR has assessed the volume risk in particular in relation to the future Baltic Pipe route[26]; reference is also made to the volume risk assessment(s) that have already been made, e.g. in connection with setting the economic test parameters and the f-factor for the project.

(115) The Agency recommended DUR to include an assessment of the compliance of the non-transmission services against the criteria in Article 4(4) of the NC TAR.

- DUR has provided additional information in the motivated decision.

(116) The following additional elements included in the motivated decision differ from the public consultation.

- Point 1. DUR did not approve the proposed discount (5-10%) on long-term contracts, which was proposed by the TSO. DUR found that this was a kind of 'lex Baltic Pipe' to reward the shippers (in fact only one) who had acquired long-term capacity in the Baltic Pipe Open Season from 2017. However, DUR did not refuse per se to accept such a discount, if it could be duly justified and apply in a non-discriminatory way to all medium to long-term capacity contracts across all IPs[27]. The Agency finds that such discount is not compliant with the NC TAR.

[24] In its motivated decision, DUR states that it has set the period to align it with the end of the Tyra shutdown and the beginning of gas flow via the Baltic Pipe route. Thus, October 2022 represents the 'beginning of a new era' in the Danish gas system. In its next tariff decision, DUR will treat the question of 'regulatory period' and set the regulatory period for the future methodology approvals. See page 91 in the motivated decision (called 'Fastsættelse af tarifperiode').

[25] See DURs motivated decision: page 65-75 in Sagsfremstillingen (case presentation) and page 93-101 in the motivation for the decision.

[26] See page 41-42 in the case presentation and page 58-59 in the motivated decision. Further, see the decision setting the f-factor and parameters for the Baltic Pipe Project (2017):
https://forsyningstilsynet.dk/gas/afgoerelser/godkendelse-af-oekonomisk-test-for-baltic-pipe-projektet.

Link to the English summary:
https://forsyningstilsynet.dk/media/4248/economic_test_for_the_baltic_pipe_project_summary.pdf.

[27] See executive summary of the motivated decision (p. 7).

(117) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 8: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7					Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation														n.a.	n.a.	n.a.	n.a.
Motivated decision														n.a.	n.a.	n.a.	n.a.

(118) The Agency notes that the applicable flow-based charge covers costs that are beyond the costs driven by the quantity of gas flows as required by Article 4(3)(a)(i) of the NC TAR. In additions, the flow-based charge is not the same at all exit points as required by Article 4(3)(a)(ii) of the NC TAR. For these reasons, the relevant cells in Table 8 above are marked red.

4.3 Checklist information Article 26(1)

Table 9: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	No	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

4.4 Other questions relevant to the applicable TSO tariffs

4.4.1 Is the NRA motivated decision translated to English?

(119) The entire decision is not available in English but DUR has provided an executive summary of the motivated in English.

4.4.2 Access to networks services set outside the motivated decision

(120) No.

4.4.3 TSO revenues outside the scope of the NC TAR

(121) No.

4.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(122) A PSO tariff (emergency tariff) covering security of supply costs of the TSO (e.g. strategic storage). It is a regulated non-transmission service and the allocation is in line with Article 4(4) of the NC TAR (non-transmission). DUR refers to it in the motivated decision (page 121-122). DUR finds that the emergency tariff is cost-reflective, and it is only levied on Danish consumers who get secured gas in emergency situations, cf. Article 4(4)(b) of the NC TAR that states that a non-transmission tariff shall be charged to the beneficiaries of a given non-transmission service. Finally, DUR points out that DUR monitors Energinet's procurement of emergency gas/capacities and requires Energinet to submit an annual report of its actions and costs for fulfilling its security of supply obligations. DUR finds that Energinet's emergency tariffs fulfil the requirements of Article 4(4) of the NC TAR.

4.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(123) DUR set the first regulatory period for a three-year period to have the period aligned with the end of the Tyra shutdown period and the entry into force of the Baltic Pipe Project. Both events are expected to take effect from 1 October 2022.

(124) In its next motivated decision, DUR expects to set a fixed regulatory period for the future (more regulatory periods ahead).

4.4.6 Expected date for the next NRA tariff motivated decision

(125) Prior to 1 October 2022 with effect from the gas year starting on 1 October 2022.

5. Country sheet: Estonia

5.1 NRA motivated decision

(126) The Estonian Competition Authority (NRA) has set the gas transmission tariffs following the motivated decision[28] published (points 1 and 1a, in Estonian language only) on 30 September 2019 from 1 January 2020 onwards, but not more than five years.

(127) The NRA sets tariffs for the Elering AS (TSO) operating in the FINESTLAT market zone, in the Estonian part. Article

(128) The NRA applies an inter-TSO compensation mechanism. In the FINESTLAT market zone the TSOs apply ITC agreement, which guarantees predetermined entry revenue. The ITC was not made part of the national tariff decision.

(129) The target revenue for the tariff period from 1 January 2020 is EUR 23.2 million.

(130) The NRA applies a postage stamp RPM. The methodology is applied separately to all the TSOs of FINESTLAT market zone.

(131) The following adjustments are applied to the RPM:

- Benchmarking: a flat tariff of EUR 142.77 MWh/d/y at all external entry points of FINESTLAT system is applied. The NRAs of Finland, Estonia and Latvia concluded that the competitive reference price for the entry points is the average yearly entry capacity product tariff of all EU countries (except the Baltic States and Finland). This flat entry tariff is set in order to fulfil the following objectives:
  - .i. it is calculated in such a way that the wider objective of the FINESTLAT single natural gas transmission entry-exit system joining the EU common market is taken into account;
  - .ii. it gives a motivating price signal to the natural gas suppliers to ensure compatibility with the changes in the competitive environment after ending the state of isolated market;
  - .iii. it facilitates trade links with the EU's continental market through forward swap transactions;
  - .iv. it motivates third parties to launch their activities in the FINESTLAT single natural gas transmission entry-exit system.

(132) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 161.4%. The cost driver used for the calculation is forecasted capacity.

(133) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0%;
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 92% - 8%;
- Entry – exit split: 9% - 91%.

(134) The NRA does not apply discounts for standard capacity products for interruptible capacity:

[28] NRA motivated decision available at https://www.konkurentsiamet.ee/index.php?id=18317.

(135) The NRA does not apply non-transmission services.

(136) The NRA does not apply commodity-based transmission tariffs.

(137) The TSO does not apply fixed payable prices.

(138) The revenue of the TSO is not subject to reconciliation as it operates under a price cap regime.

5.2 How has NRA addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(139) In the Report of the Agency[29] analysing the tariff consultation of Estonia, the Agency provided several recommendations to the NRA. The Agency notes that the Estonian regulator has not translated the final decision to English. At the same time, based on the information provided by the NRA, the Agency understands that the recommendations made by the Agency have been addressed as follows.

(140) First, the Agency encouraged the NRAs involved in the FINESTLAT merger to repeat the consultation on the RPM and to consult on the proposed ITC. The Agency acknowledges that discussions about the design of the RPM are ongoing. In the understanding of the Agency, such discussions should lead to a repetition of the consultation on the RPM.

(141) Second, the ITC should be compliant with the requirements to reproduce and forecast tariffs, and should avoid cross-subsidisation. In Section 4.1 of the Report on the Estonian tariff consultation the Agency provided its analysis on the ITC which is still valid. The Agency proposed a cost-benefit analysis that will allow allocating the costs of the merger to the beneficiaries. The Agency understands that these recommendations have not yet been implemented in the Estonian motivated decision, and are currently part of the ongoing discussions on the design of the FINESTLAT market zone.

(142) Third, the Agency understands that domestic tariffs continue to be commodity based. This is discussed in pages 3 and 15 of the Agency's Report on the Estonian tariff consultation. The input used for the calculation of domestic tariffs is based on the domestic demand of EE. This figure is converted to a capacity value by dividing it between 365 in order to use it as an input to the RPM. The Agency notes that this value still refers to a commodity reality that is translated into capacity units. In the view of the Agency, this value does not refer to, for example, the peak capacity that users would have to book should they be charged on the basis of capacity. The Agency acknowledges that the system is currently undergoing a transition from commodity-based to capacity-based, and for this reason it will follow up on this change. The Agency notes that the implementation of the Third Energy Package, assumes the implementation of an entry-exit system for capacity sales, for which the appropriate metering infrastructure should be in place. The Agency understands as well that Estonia up to recently, has been derogated.

[29] Agency Report available at http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Estonia.pdf.

(143) Fourth, the Agency understands that the tariff applicable to the exit point to Russia is not derived using the RPM. The tariff for domestic exits is EUR 0.055525 kWh/h/y and the exit tariff to Russia is EUR 0.006529 kWh/h/y. This implies that the same RPM is not used to derive these two exit tariffs. Given that the proposed methodology is a postage stamp methodology, both tariffs should be equal if derived using the same postage stamp methodology. This is not compliant with Article 6(3) of the NC TAR, which requires that the RPM is applied to all entry and exits points in a given entry-exit system. There are three exit points to Russia, Narva, Värska and Luhamaa. The third of these points relates to a pipeline that crosses to LV close to the EE-RU border. This pipeline is short and is disconnected from the rest of the EE network. For this reason, the pipeline could be allocated using a different RPM compared to the rest of costs associated to the EE network.

(144) In the absence of a translation to English of the motivated decision, the Agency is not able to verify whether the following recommendations, which were provided in the Agency report for Estonia, have been addressed by the NRA:

- A simplified model for the calculation of reference prices, including the details of the ITC and allowing tot calculate how the revenue of the TSO is split between entries and exits;
- A clarification on the target revenue that is an input to the RPM. The consultation document suggests that the tariff and regulatory periods can be modified upon the request of the TSO and it is not clear how such TSO-triggered changes relate to the possible under- or over- recovery of the TSO, nor to the risk and the target revenue of the TSO;
- The calculation and the components of the calculation of the CAA;
- A calculation of the CWD methodology in a way that allows understanding the relevance of distance as a cost driver in the Estonian network;
- A comparison of the proposed tariffs with the past and future tariffs;
- A clarification on proposed period for amending the tariffs of the TSO against the requirements of the NC TAR.

(145) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 10: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-Subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation								n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision								n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(146) The RPM can´t be fully assessed against the requirements in Article 7. At the same time, the Agency notes that the proposed tariff to the exits to Russia is not compliant with the principles of

cost-reflectivity and cross-subsidisation. The Agency cannot assess the compliance with the requirement on non-discrimination.

(147) Regarding the requirement on transparency, the Agency has not been able to assess the motivated decision, but notes that the publication of the document could be improved by providing an English translation.

5.3 Checklist information Article 26(1)

Table 11: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Incomplete	Cannot be assessed in the absence of a translation to English of the motivated decision
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Incomplete	
26(1)(a)(ii)	Adjustments pursuant to Article 9	Incomplete	
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	No	
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	No	
26(1)(a)(vi)	Comparison against the CWD methodology	Incomplete	
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Incomplete	
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	

5.4 Other questions relevant to the applicable TSO tariffs

5.4.1 Is the NRA motivated decision translated to English?

(148) No.

5.4.2 Access to networks services set outside the motivated decision

(149) No.

5.4.3 TSO revenues outside the scope of the NC TAR

(150) No regulated revenues.

5.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(151) No.

5.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(152) No.

5.4.6 Expected date for the next NRA tariff motivated decision

(153) Expected date for the next NRA motivated decision: at the latest in five years from the launching of the tariff consultation.

(154) The price cap regime with fixed prices is applied in Estonia. This regime entails the approval of fixed transmission network service prices by the Estonian Competition Authority. The system operator can apply to change the prices at any time, while considering the following:

- In accordance with NC TAR, the maximum regulatory period is five years;
- The approved prices have to be effective for at least one year;
- The rules of publication set out in NC TAR and the Estonian Natural Gas Act have to be followed.

(155) If necessary, the Estonian Competition Authority can start supervisory proceedings to ensure cost-based prices.

6. Country sheet: Germany

6.1 Bundesnetz Agentur ('BNetzA') motivated decision

(156) TSOs have set the gas transmission tariffs following the motivated decisions BK9-18-610-NCG[30] and BK9-18-611-GP[31] published on 29 March 2019 for the following period:

- Duration of the regulatory period: 5 years (2018-2022);
- Duration of the tariff period: 1 year;
- Entry into force of new tariffs: 1 January 2020.

(157) The following TSOs are operating in the NetConnect Germany (NCG) market zone:

- Open Grid Europe GmbH;
- Fluxys TENP GmbH;
- Thyssengas GmbH;
- GRTgaz Deutschland GmbH;
- Bayernets GmbH;
- Terranets bw GmbH.

(158) The following TSOs are operating in the Gaspool (GP) market zone:

- Open Grid Europe GmbH;
- Gasunie Deutschland Transport Services GmbH;
- GASCADE Gastransport GmbH;
- Nowega GmbH;
- ONTRAS Gastransport GmbH;
- Gastransport Nord GmbH;
- Ferngas Netzgesellschaft mbH;
- Lubmin-Brandov Gastransport GmbH;
- OPAL Gastransport GmbH & Co. KG;
- Fluxys Deutschland GmbH;
- NEL Gastransport GmbH.

(159) BNetzA applies a postage stamp RPM. The methodology is applied jointly to all the TSOs within a market zone.

(160) BNetzA applies an inter-TSO compensation mechanism[32]. To be able to properly apply the same reference price methodology jointly, the transmission services revenue obtained within a market area will be reconciled as from 1 January 2020 in accordance with the following rules:

[30] Determination BK9-18-610-NCG available at: https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1_GZ/BK9-GZ/2018/2018_0001bis0999/2018_0600bis0699/BK9-18-610/BK9-18-0610-NCG_Beschluss_290319.html;jsessionid=68F4B0046CE42A911DE1DEA33842B61D?nn=269902.

[31] Determination BK9-18-611-GP available at: https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1_GZ/BK9-GZ/2018/2018_0001bis0999/2018_0600bis0699/BK9-18-611/BK9-18-0611-GP_Beschluss.html;jsessionid=68F4B0046CE42A911DE1DEA33842B61D?nn=269902.

[32] For details, see determination BK9-18/607, see: https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1_GZ/BK9-GZ/2018/2018_0001bis0999/2018_0600bis0699/BK9-18-607/BK9-18-0607_Beschluss.html?nn=524392.

1. Before the start of a calendar year (reference period), for every TSO in the market area, the likely transmission services revenue for the reference calendar year is to be established on the basis of the forecast capacity bookings, the common reference price and the reserve prices derived therefrom. The compensation payments are derived from the difference between the likely transmission services revenue established for the reference calendar year and the allowed transmission services revenue for the reference calendar year to be validated by the transmission system operator.
2. Where a transmission system operator's compensation payment is positive, twelve equal monthly instalments are to be paid not later than the 15th of the respective month, by 15 January 2020 for the first time, on a pro rata basis to all the TSOs in the market area with a negative difference.
3. Claims having arisen under point (2) shall lapse as a result of the compensation payments[33]. Differences between the allowed transmission services revenue and obtained revenue will be offset individually for each TSO via the regulatory account, with the compensation payments made and received being factored in. The balance of the regulatory account is calculated every year and the balance calculated is reconciled over 3 years.

(161) The allowed revenues for the tariff period from 1 January 2020 to 31 December 2020 were as follows:

Table 12: Allowed revenue of the TSOs operating in the German market zones (1 January 2020 to 31 December 2020). Source: BNetzA.

TSO	Allowed revenue
OGE	970.061.878
Gascade	467.913.829
Gasunie	302.194.776
Fluxys TENP*	61.516.407
Thyssengas	181.879.136
NOWEGA	51.580.923
Ontras	319.025.668
GRTgaz	92.475.044
bayernets	105.001.000
terranets	141.260.900
Ferngas*	Not published
GTG Nord	27.930.607
Fluxys Deutschland	51.871.817
NEL	40.733.927
OPAL	4.813.864
Lubmin Bandov	10.627.176
Total	2.852.308.504

*No values published

[33] The purpose of AMELIE is (inter alia) that each TSO is responsible for its capacity forecast. If the forecast is wrong, this will not concern the payments to other TSOs in the actual year. The full amount resulting from the wrong forecast is logged into the account of the TSO who made the wrong forecast. The regulatory account is then reconciled as described in the Agency's Article 34 Report: *'The balance of the regulatory account is performed/calculated every year, but the balance calculated is reconciled over 3 years. This means that the balance of the regulatory account of the last calendar year will be evenly spread over the three calendar years following the year of determining the annuity.'*
As an example: The balance of the year 2019 is calculated in 2020. The amount calculated is reconciled over the following three calendar years: 2021, 2022, 2023.

(162) The following adjustments are applied to the RPM in accordance with NC TAR:

- Rescaling at all entry and exit points: it is carried out by multiplying by a constant[34];
- Benchmarking:
  .i. It is applied at the interconnection point connecting the end user Wacker Chemie AG to bayernets GmbH. Absent benchmarking, a pipeline with direct access would have been built. This arrangement shall only apply if the Überackern 2 entry point or the entry point at the underground storage facility Haidach are used to supply this end user via the relevant interconnection point;
  .ii. It is also applied at the entry and exit points at the Haidach storage facility operated by astora GmbH & Co, namely for KG and GSA LLC, connecting to bayernets GmbH. Absent benchmarking, a pipeline with direct access would have been built. This arrangement shall only apply if the entry point Überackern 2 is used to put gas in the storage facility or to withdraw gas from storage[35].
- Discounts to points to and from storage facilities: Capacity-based transmission tariffs at entry and exit points at storage facilities for firm and interruptible capacity products and for conditional capacity products are discounted by 75%. If the storage facility connected to more than one transmission or distribution network is not used as an alternative to an IP[36] [37] [38].

(163) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is dependent from the underlying scenario. BNetzA calculated different scenarios regarding the allocation of revenues and capacities at exit points to storage facilities to either cross-system network use or intra-system network use. The scenarios vary upon whether revenues at exit points for storage facilities is allocated:

- Only to intra-system network use[39];
- Pro rata according to the ratio between the forecasted contracted capacities at exit points, meaning around 20% is allocated to cross-system network use in the NCG market area and around 27% in the GP market area;
- Equally, 50% to intra-system and 50% to cross-system network use;
- Only to cross-system network use.

(164) The most appropriate scenario is the second one, resulting in a CAA of 2.84% (GP) respectively 5.38% (NCG).[40]

(165) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0%;
- Transmission - non-transmission: 83.5% - 16.5% (NCG), 82.8% - 17.2% (GP);

[34] More details in the determination BK9-18-610-NCG (operative provision 4 and recital 429-432).

[35] More details in the decision BK9-18-610-NCG (operative provision 3 and recital 407-428.

[36] Before granting such a discount the transmission system operator must ask for proof from the storage facility operator that the facility cannot be used to compete with an interconnection point.

[37] More details in the determination BK9-18-610-NCG (operative provision 2 and recital 385-397).

[38] Same wording in determination BK9-18-611-GP.

[39] according to the assessment of the transmission system operators.

[40] For details see determinations BK9-18-610-NCG (recital 190-202 plus Annex 2) and BK9-18-611-GP (recital 193-205 plus Annex 2).

- Intra-system - cross-system: 74.96% - 25.04% (NCG), 68.41% - 31.59% (GP);
- Entry-exit split: Gaspool 38/62 (REGENT decision based on forecast), 40/60 (applied in 2020); NCG 32/68 (REGENT decision based on forecast), 33/67 (applied in 2020).

(166) The NRA applies ex-ante discounts for interruptible capacity. Discounts have to be calculated at every IP for the respective standard capacity product. The space here is not sufficient to show the results[41][42].

(167) The NRA applies the following non-transmission services[43]:

- Market area conversion charge. Applied to exit points with the exception of interconnection points and storage points. The service accounts for EUR 105 million (NCG), EUR 74 million (GP) revenue.
- Biogas charge. Applied to exit points with the exception of interconnection points and storage points. The service accounts for EUR 50 million (NCG), EUR 146 million (GP) revenue.
- Meter operation (including metering) at exit points to end users and at internal order points. Applied to customers who use this service. The service accounts for EUR 606,233 (NCG), EUR 1,407 million (GP) revenue.
- Alternative nomination procedure. Applied to those network users who use the alternative nomination procedure. The service did not account any revenue.

(168) The NRA does not apply commodity-based transmission tariffs.

(169) The TSO does not apply fixed payable prices.

(170) The reconciliation of the TSOs is performed every year. As of 31 December 2017, the regulatory account amounts to over-recovery/under-recovery as follows

Table 13: Balance of the regulatory account and percentage as a share of the allowed revenue.

TSO	Balance Regulatory Account [EUR]	% of allowed revenue 2019
OGE	2.516.223	0.28%
Gascade	value not published	
Gasunie	36.292.591	16.52%
Fluxys TENP	value not published	
Thyssengas	-9.597.090	-5.43%
NOWEGA	2.167.106	5.12%
Ontras	1.095.428	0.48%
GRTgaz	32.464.594	33.80%
bayernets	value not published	
terranets	5.245.232	3.52%
Ferngas	value not published	
GTG Nord	284.378	1.01%
Fluxys Deutschland	value not published	
NEL	value not published	
OPAL	466.222	10.01%

[41] Please see Annex 1 of determination BK9-18-612 for all values of $Di_{ex\text{-}ante}$. The value of parameter 'A' is 1, therefore 'Pro' equals $Di_{ex\text{-}ante}$.

[42] https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1_GZ/BK9-GZ/2018/2018_0001bis0999/2018_0600bis0699/BK9-18-612/BK9-18-0612_Beschluss.html?nn=524392.

[43] For details regarding non-transmission services, see operative provisions 5-8 of determination BK9-18-610-NCG (plus recital 434-462) or BK9-18-611-GP (plus recital 415-443).

TSO	Balance Regulatory Account [EUR]	% of allowed revenue 2019
Lubmin Brandov	No regulatory account in 2017	

Note: Some figures are missing as a result of open court cases and because some TSOs were established as regulated TSOs in the last years and therefore cannot have amounts on the regulatory account.

(171) For the reconciliation, the balance of the regulatory account of the last calendar year is evenly spread over the three calendar years following the year determining the annuity.

6.2 How has BNetzA addressed the recommendations made by the Agency in the Report on the final tariff consultation? (Recitals: see NCG)

(172) The Agency provided several recommendations to BNetzA on the RPM and on other elements to be included as part of the motivated decision.

6.2.1 Assessments to perform in the motivated decision regarding the RPM

(173) In the Report on the German tariff consultation[44], the Agency could not conclude on the compliance of the RPM with the requirements of cost reflectivity, prevention of undue cross-subsidisation and non-distortion of cross-border trade listed under Article 7 of the NC TAR. While the consultation document provided a clear description of the proposed RPM, it missed a description of the network and an explanation of the changes in tariffs resulting from the application of the proposed methodology. Compared to 2019, on average tariffs at IPs increased in 2020, some tariffs at IPs even experienced a significant tariff increase in 2020. At the same time, domestic exits have, on average, experienced a tariff decrease. The extent to which this change reflected the underlying differences in the unit costs of network parts serving for cross system use and intra system use is an issue that was not discussed in the consultation. These circumstances raised the concerns of the Agency about the compliance of the RPM and prevented a conclusion on whether the choice of a postage stamp methodology was appropriate for the German network.

(174) In its Report, the Agency recommended BNetzA further to substantiate the choice and the design of the RPM, taking account of the actual characteristics of the network.

(175) First, the Agency recommended BNetzA to assess the extent to which the network can be considered as meshed, in view of its internal physical constraints reflected by the extensive use of conditional products[45].

- BNetzA has clarified the share of conditional capacity offered in the DE network[46]: In the NCG market area, around 50% of bookings at IPs on the entry side and around 40% of bookings at IPs on the exit side are made using conditional firm capacity products. In the GASPOOL market area a significant proportion of bookings at IPs is made using conditional firm capacity products (around 50% at entry points and around 35% at exit points). For other points, the share is much lower.

[44] See link: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Germany.pdf.

[45] This is assessed in recitals 222-246 of the motivated decision.

[46] Recitals 247-262.

- BNetzA argues that of share of conditional firm capacity products cannot be used to conclude the low degree of meshness of the NCG and GASPOOL market areas. BNetzA argues that the majority of products have, at least, interruptible access to the virtual trading point. In cases, however, BZK products do not have such access, but this will be amended in the future, as they are expected to be replaced by DZK products that always have interruptible access to the virtual trading point[47]. In addition, BNetzA notes that conditional capacity has relatively low probability of interruptions in the market areas[48].

(176) Second, the Agency recommended BNetzA to assess the impact of applying a postage stamp methodology in view of the unit cost differences between the infrastructure associated with cross-system and intra-system use. For this purpose, the Agency recommended BNetzA to provide explanation of changes between the current tariffs applicable for 2019 and the tariffs resulting from the proposed RPM applicable by 2020[49].

- BNetzA argues[50] that, while large diameter pipelines generally enable unit costs per unit capacity to be lower, the existence of pipelines in the German market areas mainly dedicated to cross-system flows is doubtful;
- The Ruling Chamber carried out a comparison of the actual tariffs in 2019 and the indicative tariffs for 2020[51]. There are TSOs who only operate larger pipelines and, in relative terms, have strikingly high tariffs compared to 2019. BNetzA argues that this comparison does not take into account that, tariffs for 2019 do not provide for a compensation mechanism between the TSOs. Such a compensation mechanism would have to take into account the fact that TSOs dedicated to cross-system flows to a larger extent, benefit from being integrated into the relevant market area without having to pay an appropriate share of total costs. The uniform postage stamp reference price methodology ensures that just such compensation is actually made, albeit without allocating costs directly.

(177) Third, the Agency recommended BNetzA to compare the postage stamp methodology with alternative methodologies, such as the matrix methodology.

- BNetzA has carried out this assessment. The NRA argues that a more detailed cost allocation, such as allocating individual pipelines to specific bookings, is not possible due to the complexity and meshed structure of the German market areas; no concrete proposals for any such mechanism for cost allocation were put forward during the repeated consultations;
- Regarding the matrix methodology, BNetzA argues that this option does not constitute a practicable methodology for Germany's transmission networks. This reference price methodology requires too many input parameters. A corresponding matrix would have hundreds of thousands of values for the NCG and GASPOOL market areas, and following the merger of the market areas almost one million.

[47] KASPAR proceedings (BK7-18-052).

[48] See Annex I of the simultaneously issued determination BK9-18/612 relating to the probability of interruption at interconnection points; a safety margin of ten percentage points is added at these points.

[49] This is a requirement of the NC TAR according to Article 30(2)(a)(i).

[50] Recitals 263-288.

[51] This overview is shown in Annex 6 of the motivated decision.

6.2.2 The Agency's assessment of the applied RPM

(178) The Agency considers that the assessment of the RPM, in the case of Germany should be based on the analysis of the meshness of the network, and related to this, of the offering of conditional capacity and of the different unit cost of the parts of the network used for cross system use and used for intra system use. The Agency finds that, while BNetzA addresses all the recommendations requested to BNetzA, it has not provided a systematic analysis of the unit cost differences based on quantitative data. BNetzA provides in its motivated decision a qualitative assessment that is not systematic across all points of the network. This analysis does not allow to fully assess the degree to which differences between the unit costs for transport task (intra-system use and cross-system use) of the network are relevant, and the degree to which an RPM could allocate the revenue of the TSO to set tariffs on the basis of these differences. Following this argumentation, the Agency considers that BNetzA has not provided a sufficient justification of the applied RPM. As a result, the Agency considers that the assessment provided by BNetzA does not allow concluding on the compliance of the applied RPM with the principles in Article 7 of the NC TAR.

(179) The Agency therefore recommends that BNetzA carry out an assessment of the DE network to quantify in a systematic manner across points of the system the unit costs differences associated to the intra-system and the cross-system use of the network. Such analysis should be based on the key cost drivers identified such as booked and/or technical capacity, distance, diameter of the pipelines, and pressure. The conclusions of such analysis should allow understanding the cost reflectivity of the applied postage stamp methodology and should allow assessing whether alternative RPMs could serve to set tariffs reflecting more accurately the underlying differences in unit costs. The analysis of the unit cost differences requires, in a first step, the allocation of the network components to the different transport tasks (cross- system- use and intra-system use) and in a second step, the allocation of the allowed revenues to these networks parts/ transport tasks.

6.2.3 Regional networks

(180) In addition to the remarks made by the Agency that are discussed in the previous section, the Agency noted in the Report on the German consultation that it could not assess whether the assets of the German TSOs included parts of networks mostly used to supply domestic consumers (referred to as in this report as 'regional networks'). The portion of such assets could be significantly different from one TSO to another, and these differences could impact the final tariffs when these are derived using a single RPM. As discussed in Section 5 of this Report, the allocation of regional networks together with transmission assets using the same RPM, can potentially lead to cross-subsidisation between intra-system and cross-system users. For this reason, the Agency understands that it is relevant to assess the existence of regional networks as part of TSOs in the German network. In Section 5 of this Report, the Agency discusses the treatment of regional networks.

6.2.4 Additional information to include in the motivated decision

(181) In addition to the previous points, the Agency recommended BNetzA to include in its motivated decision several additional elements.

(182) First, the Agency recommended BNetzA to include in the motivated decision a structural representation of the transmission network, in order to link it to the choice of RPM. The Agency

views this as a best practice in accordance to Article 26(a)(i)(1) of the NC TAR. The Agency notes that this in included in paragraphs 178-187 of the motivated decision.

(183) Second, the Agency recommended BNetzA to include in the motivated decision a comparison with the CWD methodology based on the same parameters as the proposed postage stamp RPM (e.g. same level of discounts to storage). The Agency notes that BNetzA has included this information in the motivated decision[52].

- BNetzA concludes that, a CWD methodology leads to a price increase at IPs. Against this background, the postage stamp methodology is preferable in respect to the tariffs at IPs.

(184) Third, the Agency recommended BNetzA to include in the motivated decision a specification of the period during which the RPM will be applicable, or at least a clarification on the conditions that would trigger a new consultation on the RPM.

- BNetzA notes that the RPM is applicable in 2020 and 2021 (first three quarters). The market merger expected to take place on 1 October 2021 means that a decision is required; Consultation for REGENT 2021 has been launched.

(185) Fourth, the Agency recommended BNetzA to include in the motivated decision an assessment of potential flow decreases that could occur in the German network to further substantiate the assessment of volume risk[53].

- BNetzA argues that within the NCG entry-exit system it is not the case that significantly more gas is transported into other systems than for consumption into their own entry-exit-system.

(186) Fifth, the Agency recommended BNetzA to include in the motivated decision a reconciliation mechanism for the market area conversion charge and for the biogas charge (both non-transmission charges), ensuring that the under-and over-recoveries are not allocated to all users of the network (including IPs) [54].

- The Ruling Chamber concluded[55] that the reconciliation system is not cost-reflective because the reconciliation of the revenue from the biogas support and from the market area conversion charge is carried out with the same regulatory account. For this reason, BNetzA foresees an additional mechanism, which works like two separate regulatory accounts for the biogas and the market area conversion charge. The difference resulting between the forecasted and actual capacities is logged into these two regulatory accounts. The balance of these mechanisms is calculated every year and is, unlike the regulatory account for transmission services, reconciled over 1 year.

(187) Sixth, a clarification on whether the same criteria have been applied systematically to allocate the costs of metering services as a non-transmission service at all domestic exits[56]. Metering is classified as a non-transmission service at exit points to end users and to downstream distribution networks, but as transmission service at all other points.

[52] See paragraphs 375-377 of the motivated decision.

[53] This information is available in recitals 335-351. The ruling chamber has included a reporting duty (recital 348).

[54] This information is available in recitals 434-447. See decision 5c/6c.

[55] Recitals 439 and 446.

[56] This information is available in recitals 448-458.

- Under- or over- recoveries can result from the number of connection users for which metering is serviced. The reconciliation of this revenue is carried out by the relevant TSO using a separate regulatory account;
- Meter operation as a non-transmission service is used only by a clearly identifiable group within the totality of network customers; this group alone has to cover the costs of meter operation, which is why the reconciliation must be allocated to this group;
- In contrast, the operation of metering stations at IPs and storage points, is classified as a transmission service. These are procedures that are not attributable to individual network customers. but relate to a multiplicity of network users in each case. For this reason, the costs are allocated via the RPM.

6.2.5 Other changes applied in the motivated decision

(188) The Agency notes that BNetzA applies benchmarking to a number of points as described in Section 7.3 of volume I of this Report. This adjustment was not discussed by BNetzA in the consultation. At the same time, several stakeholders referred to the problem of applying a postage stamp methodology to all points of the network, as some specific points would experience very large tariff increases. BNetzA has used the benchmarking adjustment to address this issue.

(189) The Agency has provided guidelines for the application of benchmarking following the EC working paper, as described in Section 7.3 of this Report. The application of benchmarking applied by BNetzA does not entirely follow these guidelines. BNetzA does not compare the benchmarked points to tariffs for competing routes. Instead, BNetzA compares the benchmarked point to the estimated costs of building a pipeline. The Agency considers that such application follows the spirit of the proposed guidelines but cannot conclude on the compliance of such approach in this Report.

6.3 Overall assessment

(190) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 14: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(191) The Agency considered that the information upon which the choice of RPM was based was not sufficient. As a result, the Agency understood, that the proposed RPM did not fully address the

relevant issues pointed out in the Report on the German tariff consultation on cost-reflectivity, cross-subsidisation and cross-border trade.

(192) As pointed out in this Section, the Agency considers that the justification provided in the motivated decision to address the matters pointed out by the Agency is not sufficient.

6.4 Checklist information Article 26(1)

Table 15: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Partial	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Partial	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

6.5 Other questions relevant to the applicable TSO tariffs

6.5.1 Is the NRA motivated decision translated to English?

(193) Yes.

6.5.2 Access to networks services set outside the motivated decision

(194) No.

6.5.3 TSO revenues outside the scope of the NC TAR

(195) No.

6.5.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(196) Biogas and market area conversion charge are classified as non-transmission service by BNETZA on a voluntary basis in order to increase transparency for stakeholders.

6.5.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(197) Entry tariffs are not applicable for the injection of biogas.

6.5.6 Expected date for the next NRA tariff motivated decision

(198) Expected date for the next NRA motivated decision: Q3/Q4 2020 (start of consultation: Q1 2020) for the tariffs of the merged GP and NCG areas.

7. Country sheet: Greece

7.1 NRA motivated decision

(199) Regulatory Authority for Energy ('RAE') has set the gas transmission tariffs following the motivated decision[57] (539 and 566) published on 30 May 2019 and 31 May 2019 for the following period:

- Duration of the regulatory period: 1 January 2020 – 31 December 2022;
- Duration of the tariff period: 1 January 2020 – 31 December 2022;
- Entry into force of new tariffs: 1 January 2020.

(200) RAE sets tariffs for DESFA operating in Greece.

(201) There is no inter-TSO compensation mechanism ('ITC').

(202) The required revenue for regulatory period 2020-2022 has been approved as follows:

- 2020: EUR 101,098,410
- 2021: EUR 99,084,171
- 2022: EUR 98,416,388

The allowed revenue for 2020, after the relevant adjustments according to Article 19, is EUR 118,004,733 (including EUR 16,906,323 as old recoverable difference).

(203) RAE applies a CWD as RPM.

(204) The following adjustments are applied to the RPM:

- Equalisation (2 clusters for exit points and 2 clusters for entry points, according to Article 9, paragraph 5 of 539/2019 RAE Decision).
- Discounts to entry points from LNG: a discount, equal to 30%, is applied to Entry Point Agia Triada (connected with LNG Terminal of Revithoussa), according to Article 10, paragraph 2 of 539/2019 RAE Decision.

(205) The NC TAR foresees a CAA as laid out in Article 5. Considering that there is no cross-system use in Greece, RAE concluded that the CAA indicator is not relevant for DESFA.

(206) The applied RPM results in the following ratios:

- Capacity - commodity split: 100 - 0%. However, the final result is 86% - 14%, due to the old recoverable difference charged in exit points through a commodity charge.
- Transmission - non-transmission: for 2020: 100% - 0%. According to Article 23 of 539/2019 Decision, DESFA has the obligation to submit to RAE a proposal for this proportion, which will be based on updated accounting unbundling rules.
- Intra-system - cross-system: because Greece up to now is mainly a gas importing country, RAE deems this ratio not applicable.

(207) RAE applies an ex-ante discounts for standard capacity products for interruptible capacity:

[57] NRA motivated decision available at https://www.desfa.gr/userfiles/pdflist/DRSA/2020%20Tariffs.pdf and https://www.desfa.gr/userfiles/pdflist/DRSA/4th%20Amendment%20of%20the%20Tariff%20Regulation_EN.pdf.

The values of interruptible products are proportional to the probability of interruption and is described in Article 15 of the motivated Decision[58].

(208) Non-transmission services will be recorded and reported separately at financial accounts and published financial statements, and their costs will be recovered by non-transmission tariffs, according to Article 4(4) of the NC TAR from 2020, after the approval of accounting unbundling rules (Article 23, paragraphs 4 and 5 of the motivated decision), as mentioned under (206), 2nd bullet.

(209) The NRA applies a complementary revenue recovery charge (commodity-based transmission tariff):

- The share of revenue to be recovered by these tariffs amounts to 14%;
- The commodity-based tariff is levied for the purpose of managing revenuer under- or over-recovery;
- The tariff is applied to domestic exit points;
- Since this complementary revenue recovery charge is applied only to domestic exit points, RAE deems the assessment according to Article 4(3)(b)(iv) of NC TAR being not applicable.

(210) DESFA does not apply fixed payable prices.

(211) The reconciliation of the TSO is performed every year, taking into account any under/over recovery. As of 31 December 2018, the regulatory account amounts to EUR 24 225 523.87 (over-recovery). This represents 24% of the allowed revenue for 2020. The reconciliation of the regulatory account is carried out based on the following principles (as described in detail in Articles 18 and 19 of the motivated decision):

- Any over/under recovery of previous years;
- Actual data of the regulated asset base, regulated OPEX, regulated depreciation;
- Actual invoiced revenues.

The over recovery was used in order to reduce the old recovery difference amount from 2006 to 2016.

7.2 How has RAE addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(212) In the Report of the Agency[59] analysing the tariff consultation of Greece, the Agency recommended RAE the following:

(213) First, to treat the socialisation of the allowed revenues of the LNG terminal in a way similar to a non-transmission service.

[58] DESFA provides additional information at the following link: https://www.desfa.gr/userfiles/pdflist/DERY/TS/Interruptible%20Transmission%20Capacity%20Calculation%20Methodology%20(EN).pdf.

[59] Agency Report available at https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Greece.pdf.

- RAE has addressed this recommendation by treating the socialization of the allowed revenues of the LNG terminal in a similar way as the non-transmission services (separate charge according to Article 11 of the motivated decision, based on Article 4(4) of the NC TAR). Charges are subject to the requirements of Article 4(4) of the NC TAR. Such approach is transparent and costs are charged to the beneficiaries users of domestic exit points (Article 8A, paragraph 4 and Article 19A, paragraph 1 of the motivated Decision, describe the calculation of the allowed revenue of the dispersion (socialization of LNG Service)).
- The approach chosen by RAE is transparent and meets the requirements of Article 4(4) of the NC TAR.

(214) Second, to use of a Cost Benefit Analysis ('CBA') to assess whether and to what extent the LNG terminal has positive externalities that could justify the socialization.

- RAE has addressed this recommendation by requesting a CBA and DESFA has already submitted the relevant CBA. The CBA is under evaluation by RAE;
- The Agency is unable to comment on the CBA as it was not made available.

(215) Third, to switch to a distance-related RPM unless an adequate reasoning is provided on how the chosen RPM took into account the principle of cost reflectivity.

- RAE has addressed this recommendation and has switched to a CWD methodology (Article 10, paragraph 1 of the motivated decision);
- RAE's motivated decision does not address the assessment of the RPM meeting the criteria of Article 7 of the NC TAR;
- The Agency notes that in its analysis of the consultation document of Greece it discussed the CWD calculations made available by RAE.

(216) Fourth, to clarify its view on the potential future cross-system us of the Greek transmission system in consideration of the anticipated expansion of the network in the future.

- RAE has not addressed this recommendation yet;
- RAE notes that it has requested from DESFA, the data regarding the cross-system use at the Sidirokastro IP in 2019. Two further IPs are expected to be operational not earlier than 2023.

(217) Fifth, to publish the missing information regarding the share of the allowed revenues to be recovered via non-transmission tariffs as required by Article 26(1)(c)(ii)(2) of the NC TAR.

- RAE has addressed this recommendation and according to Article 23 of 539/2019 Decision, DESFA has the obligation to submit to RAE a proposal regarding the share of allowed revenues to be recovered via non-transmission tariffs, which will be based on updated accounting unbundling rules;
- DESFA has submitted a proposal to RAE regarding the revision of unbundling rules, which is evaluated by RAE.

(218) Sixth, properly to classify the services of DESFA as either regulated or non-regulated services

- RAE has addressed this recommendation and will publish a decision regarding regulated and non-regulated services after the approval of the new unbundling rules.

(219) Seventh, regularly to re-evaluate the pace of the reconciliation.

- RAE has addressed this recommendation. This evaluation is performed every year (Article 19B of the motivated decision).

(220) The following additional elements included in the motivated decision differ from the public consultation:

- Point 1. RPM follows CWD methodology;
- Point 2. Transparent tariff for LNG Socialisation (50%) as non-transmission service;
- Point 3. 30% discount in Agia Triada, derived by exit points;
- Point 4. Clustering of Sidirokastro and Kipi entry points;
- Point 5. Clustering of all exit points in the North (to a North Zone) and all exit points in the South (as a South Zone).

(221) The table below summarises how the RAE has taken into account the recommendations made by the Agency.

Table 16: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation			n.a.			n.a.	Unable to assess				n.a.	n.a.	n.a.	n.a.				
Motivated decision			n.a.			n.a.	No assessment				n.a.	n.a.	n.a.	n.a.				

(222) RAE implemented most of the Agency's recommendations. Regarding the non-transmission services, new information has been published in a transparent manner, but the Agency has not performed an updated assessment (besides, a cost benefit analysis is still under evaluation).

7.3 Checklist information Article 26(1)

Table 17: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	N.A.	N.A.
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	N.A.
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	No	No
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	No	No

7.4 Other questions relevant to the applicable TSO tariffs

7.4.1 Is the NRA motivated decision available in English?

(223) Yes.

7.4.2 Access to networks services set outside the motivated decision

(224) Balancing services and operation gas services.

7.4.3 TSO revenues outside the scope of the NC TAR

(225) Balancing services revenues, security of supply revenues, operation gas services revenues, LNG services revenues, non-regulated services revenues.

7.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(226) LNG socialisation tariff is used to recover LNG activities costs.

7.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(227) No.

7.4.6 Expected date for the next NRA motivated decision

(228) 2022, unless there is a need for any extraordinary revision according to Tariff Regulation (Decision 539/2019, Article 20).

8. Country sheet: Hungary

8.1 NRA motivated decision

(229) Hungarian Energy and Public Utility Regulatory Authority ('MEKH') has set the gas transmission tariffs following the motivated decision[60] published on 6 June 2019 for the following period:

- Duration of the regulatory period: 1 January 2017 – 31 December 2021;
- Duration of the tariff period. 1 October 2019 – 30 September 2020;
- Entry into force of new tariffs: 1 October 2019.

(230) MEKH sets tariffs for the TSOs FGSZ and MGT operating in the Hungarian entry-exit zone.

- In October 2019, the two TSOs, FGSZ and MGT, merged into a single TSO when FGSZ acquisitioned MGT's assets.

(231) The NRA, MEKH, applies an inter-TSO compensation mechanism. The ITC proposed by MEKH was consulted according to Article 10 and introduced in parallel with the reference price methodology. It was effectively phased out, when FGSZ acquired MGT's assets in October 2019 and became the sole TSO in the Hungarian system.

(232) The allowed revenue for the tariff period from 1 October 2019 to 30 September 2020 is HUF 62,089 million for the two TSOs (FGSZ: HUF 57,718 million, MGT: HUF 4,371 million[61], – total: EUR 186 million, FGSZ: EUR 173 million, MGT: EUR 13 million).

(233) MEKH applies a postage stamp-type RPM[62].

(234) The following adjustments are applied to the RPM: *applied same at entries and at exits.

- Rescaling is applied separately to all entries and to all exits. A rescaling factor between -0,3 and 0,3 is applied to tariffs at all entry and exit points. The rescaling factor for a given tariff period is set within this range taking into consideration the forecasted capacity bookings for the tariff period. The rescaling factor applied in the tariff period 2019/2020 is 0.008 for all points (both entry and exit).
- Discounts of 100% to exit points to storage and 90% to entry points from storage.
- MEKH applies a modification on the capacity forecast at exits to and entries from storage, reducing the forecasted contracted capacity to 0% and 10% respectively of the actual forecasted value. In the view of the Agency, such modification is not compliant with the NC TAR. In addition, this modification renders the CAA result invalid.

(235) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 4.16. The cost driver used for the calculation is forecasted-contracted capacity. The Agency has not reviewed this

[60] NRA motivated decision available at http://www.mekh.hu/a-tar-nc-26-cikk-vegso-dontes.

[61] Calculated with the exchange rate 333 HUF/EUR

[62] At the time of publishing the motivated decision, two TSOs operated the network. However, after the publication of the motivated decision, one of the TSOs bought the other one. As a result, tariffs are applied to a single TSO. (The tariffs were set using the aggregate allowed revenue of the two TSOs, and the revenues were split amongst the TSOs using an inter-TSO compensation mechanism, therefore the merger of the two TSOs had no effect on the level of tariffs).

calculation as an English version of the motivated decision was not available at the time of writing this Report.

- The CAA for commodity-based revenue is 0;
- In accordance with the provisions of the NC TAR, MEKH also calculated the CAA for the CWD methodology. For the CWD methodology, the CAA for capacity-based revenue is 17.15.

(236) The applied RPM results in the following ratios:

- Capacity - commodity split: 83.23% - 16.77%;
- Transmission - non-transmission: 98.8% - 1.2%;
- Intra-system - cross-system: 67.50% - 32.50%.

(237) The NRA applies discounts ex-post for standard capacity products for interruptible capacity. The level of the applied ex-post discounts, in accordance with the provisions of the NC TAR is equal to three times of the price of the firm daily product.

(238) The NRA applies the following non-transmission services:

- Odorization. The service accounts for HUF 823 million (EUR 2.4 million) revenue.
- Title transfer. As the utilization of this service is not directly linked to forecasted flows/capacity bookings and may show great volatility between periods, no allowed revenue is forecasted for it.
- Data services exceeding basic data provided as part of the core services. As the utilization of this service is not directly linked to forecasted flows/capacity bookings and may show great volatility between periods, no allowed revenue is forecasted for it.
- Connection to the transmission system. As the utilization of this service is not directly linked to forecasted flows/capacity bookings and may show great volatility between periods, no allowed revenue is forecasted for it.

(239) The NRA applies flow-based transmission tariffs: A uniform flow-based commodity tariff is set at all exits, including the exit to storage. The tariff covers the following costs: pressure regulation, own gas use, other operational costs, and settlement difference (shrinkage). The revenue represents 16.77% of the TSO revenue.

(240) The TSO does not apply fixed payable prices.

(241) The reconciliation of the TSO is performed every year. As the regulatory account was introduced in 1 October 2019 with the adaptation of the rules of the NC TAR, the balance of the account has not been determined yet. The initial value of the regulatory account's balance will account for the over-recovery of the revenue between 1 January 2018 and 30 September 2019. The reconciliation of the regulatory account is carried out based on the following principles:

- The reconciliation of the regulatory account is undertaken with annual (gas yearly) frequency. Given the availability of actual revenue data and the legal deadlines related to tariff setting the reconciliation of the account for gas year n is carried out in gas year n+2 at the earliest. (E.g. the amount attributed for Gas Year 2019/20 in the tariffs for Gas Year 2021/22.)
- The reconciliation is carried out through the RPM. The commodity-based charge referred to in Article 4(3)(b) is not applied.

- For non-transmission services MEKH is not utilising the regulatory account. As NC TAR's rules were introduced in the middle of the regulatory period of 2017-2021, the breakdown of available data on non-transmission services does not make the reconciliation of the related revenues possible and no revenue reconciliation methodology is applied for non-transmission services. MEKH will undertake a cost and asset review in 2020, preceding the beginning of the next regulatory cycle starting in October 2021, and – taken into consideration the possibilities allowed by the granularity and reliability of the relevant data – will examine the possible ways of introducing of a NC TAR compliant non-transmission reconciliation method.
- MEKH foresees the possibility to spread the reconciliation over several tariff periods as an instrument to ensure tariff stability.

8.2 How has NRA addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(242) In the Report of the Agency[63] analysing the tariff consultation of Hungary, the Agency remarked that the consultation proposed the application of discounts to points from and to storage. However, these discounts were not fully taken into account when rescaling the tariffs. As a result, the proposed tariffs lead to an under-recovery of revenues and consequently to inter-temporal cross-subsidies. In addition, the discounts to storage were not taken into account when calculating the CAA. In addition, the Agency found that the assessment of the RPM against the requirements in Article 7 of the NC TAR was incomplete and insufficient. As a result, the Agency concluded that the RPM was not compliant with the requirements of cost-reflectivity, preventing undue cross-subsidisation, not distorting cross-border trade laid out under Article 7 of the NC TAR.

(243) Not having had access to an English translation of the motivated decision[64], and based on the interactions held with the MEKH, the Agency understands that:

- The discounts applied to storage points are not fully compensated by the rescaling adjustment. Instead, MEKH has applied a correction on the forecasted capacity at storage points reducing it to 10%.
- The Agency notes that the missing revenue from storage discounts should be addressed using the rescaling adjustment.
- The forecasted capacity that is an input to the RPM should reflect the forecast in capacity bookings.

(244) As a result, the Agency considers that the shortcomings that prevented the analysis of the RPM provided in the consultation remain in the motivated decision. The Agency cannot verity that the applied RPM is compliant with the requirements in Article 7 of the NC TAR.

[63] Agency Report available at http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Hungary.pdf.

[64] The adjusted data are available on the Excel Workbook comprising a part of the motivated decision.

(245) In addition, the Agency concluded that the assessment of the RPM against the requirements in Article 7 of the NC TAR is incomplete. This element has not been checked in the motivated decision[65] as an English translation has not been published at the time of writing.

(246) In its analysis, the Agency recommended for the Authority to include in its motivated decision the principles resulting in the choice of the 40/60 entry-exit split, and to increase the transparency regarding the post-adjustments entry-exit split. This element has not been checked in the motivated decision[66] absent its English translation.

(247) The Agency noted that, although the NRA proposes to apply a rescaling adjustment in its proposed reference price methodology, the level of tariffs lead to an under-recovery of revenues and consequently to inter-temporal cross-subsidies.

(248) The Agency recommended the inclusion of a more detailed description of the non-transmission tariff formulae that would allow network users to forecast the possible evolution of non-transmission tariffs. MEKH has communicated to the Agency that this was not possible given the level of available data. MEKH expects to provide a more detailed reasoning for non-transmission services in the next regulatory period beginning in 2021.

(249) Annex 3 of the motivated decision contains a detailed overview of the changes between the Consultation Document and the motivated decision and their justification.

(250) The following changes are also made part of the motivated decision:

- The motivated decision foresees investments to be included ex-ante into the RAB and a rule for their reconciliation was added. MEKH clarified to the Agency that certain investments, which are deemed to be important to the safety and reliability of the network, may be included into the RAB prior to their commissioning, subject to the approval of the NRA. In this way the cost of capital related to these assets form a part of the allowed revenue even during their development. The Agency has not been able to assess the compliance of this approach.
- The motivated decision foresees a formula to calculate more accurately the flow-based charge based on pressure, own gas use and other operational cost. The calculation includes a commercial margin and a volume risk factor to account for the volatility of the TSO's own consumption. The Agency has not been able to assess the compliance of this approach.
- In the motivated decision, the calculation of the ITC mechanism was modified. In the latest version, monthly payments are utilized for the compensation of both volume-based and capacity-based tariffs in order to ensure the timely and continuous compensation of revenues for all tariff elements. The Agency has not been able to assess the compliance of this approach. The ITC has expired in the meantime, due to the TSO-merger.
- The motivated decision sets a separate action premium to allow a reconciliation of the under- or over- recovery in year n by year n+1. The standard regulatory account for transmission tariffs can be undertaken in the tariffs for gas year n+2 at the earliest. MEKH points out that the

[65] The NRA has communicated to the Agency that it has provided further information on the compliance of the RPM with Article 7 of the NC TAR under the Excel Workbook referenced in point V. of the Resolution on the RPM and published on the Authority's webpage.

[66] The NRA has communicated to the Agency that it has provided an additional justification in section 3.1 of Annex 3 of the motivated decision.

separate auction premium account can be used to reduce physical congestion The Agency has not been able to assess the compliance of this approach.

(251) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 18: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted	Applied at points other than IPs	NRA assessment
Final consultation															n.a	n.a	n.a	n.a
Motivated decision															n.a	n.a	n.a	n.a

(252) Following paragraphs (242) to (244) the Agency cannot verity that the applied RPM is compliant with the requirements on cost-reflectivity, cross-subsidisation and cross-border trade laid out in Article 7 of the NC TAR.

8.3 Checklist information Article 26(1)

Table 19: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Incomplete	Cannot be assessed in the absence of a translation to English of the motivated decision
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Incomplete	
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Incomplete	
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Incomplete	
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	

8.4 Other questions relevant to the applicable TSO tariffs

8.4.1 Is the NRA motivated decision translated to English?

(253) No.

8.4.2 Access to networks services set outside the motivated decision

(254) No.

8.4.3 TSO revenues outside the scope of the NC TAR

(255) Balancing services falling under the scope of NC BAL.

(256) Surcharges.

8.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(257) No.

8.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(258) Tariffs for existing long-term contracts falling under the scope of Article 35 of the NC TAR may be exempt from the RPM.

8.4.6 Expected date for the next NRA tariff motivated decision

(259) Expected date for the next NRA motivated decision: As the next regulatory period is due to start in 2021, the next consultation is expected to be undertaken in 2020.

9. Country sheet: Ireland

9.1 NRA motivated decision

(260) Commission for Regulation of Utilities ('CRU') set the gas transmission tariffs for the current gas year (2019/20) on 31 May 2019, with the publication of CRU/19/061. These tariffs were calculated using the methodology set out in CRU's motivated decision CRU/19/060[67], which was published shortly after on 11 June 2019.

- Gas Year 2019/20 began on 1 October 19 and ends on 30 September 2020. This is the third gas year/tariff period in the Price Control 4 (PC4) regulatory period, which began on 1 October 2017 and ends on 30 September 2022.

(261) CRU sets tariffs for Gas Networks Ireland (GNI), which is the TSO in Ireland.

(262) The allowed revenue for the gas year 2019/20 is EUR 176.65 million.

(263) CRU applies a Matrix RPM. The Matrix RPM is a forward-looking methodology that calculates the cost of additional incremental capacity at points on the network. By providing cost-based investment signals, the methodology incentivises new efficient entry into the Irish gas market.

(264) The following adjustments are applied to the RPM:

- Equalisation – Applied to domestic exits[68].
- Rescaling - The matrix RPM is a forward-looking methodology that calculates the cost of additional incremental capacity at points on the network. The matrix RPM is cost-reflective with respect to the absolute difference in tariffs (differentials). These differentials represent the differences in marginal costs of expanding the system at different locations. These differentials are created by the first part of the tariff, the primary tariff.[69] If an entry point is close to load, the marginal costs (driven by distance) will be small, whereas an entry point further away will incur greater costs. A customer connecting to the system can make a socially optimal decision if the two tariffs reflect this difference (it might incur different private costs at each of the locations as well).
- Although the Matrix RPM attempts to capture the specific costs of each path to as complete a degree as possible, it will not directly recover all of the TSO's transmission services revenue. Therefore, in order to recover the TSO's transmission services revenue an additive rescaling constant is used in accordance with the Article 6(4) of the NC TAR. The additive rescaling constant simply adds the same amount to each tariff.

[67] NRA motivated decision available at https://www.cru.ie/document_group/harmonised-transmission-tariff-methodology-for-gas/.

[68] CRU further justified its reasoning for postalising exit tariffs in CER/15/057, stating that *'Exit tariffs are not attempting to create economic signals to incentivise efficient new entry (or in this case exit connection) to the network in the same way as entry tariffs attempt to encourage efficient entry to the system. This is especially true given that the Irish system is a small system, where large fluctuations could disadvantage industry or gas customers in one region vis-à-vis another'.*

[69] To do this, unit costs are calculated for each entry-exit path based on the expansion constant (cost of building a pipeline (capacity) including compression) and annuitisation factor (annual revenues that would be required to finance such an asset) and the distance between each entry point and exit point. The Matrix RPM uses a mathematical formula (i.e. least squares) to set a primary (or raw) tariff for each entry and exit point. This results in differences in the primary tariffs from one point to the next.

(265) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is not applicable. As there are no transit flows via the ROI transmission network, there is no possibility of cross-subsidisation occurring between intra-system and cross-system network users[70].

(266) The applied RPM results in the following ratios:

- Capacity - commodity split: 90% - 10%;
- Transmission - non-transmission: 99.99% - <0.01%;
- Intra-system - cross-system: not applicable.

(267) The NRA applies an ex-ante discount for virtual reverse flow ('VRF'), which is the only standard interruptible capacity product. VRF is a 'reverse flow' service offered on a virtual interruptible basis, at the interconnection points, to enable shippers to virtually flow gas from Ireland via Moffat and into Ireland via Gormanston. VRF is a day-ahead interruptible product.

- At the Moffat exit point an A factor of 6 and a pro factor of 8% are applied, resulting in a reduction of 48%. At the Gormanston entry point an A factor of 2.25 and a pro factor of 8% are applied, resulting in a reduction of 18%[71].

(268) The NRA applies the following non-transmission service:

- Corrib Linkline. The CRU has chosen to classify the Corrib Linkline as a non-transmission service as it is not part of GNI's regulated asset base.[72] Charge applied to Bellanaboy entry point only. The service accounts for EUR 67,084 revenue.

(269) The NRA applies commodity-based transmission tariffs: In accordance with the NC TAR CRU applies a flow-based (commodity) charge to recover the variable costs associated with the quantity of gas transported.

- 10% of the revenue is recovered by the commodity charge. This reflects the significant costs associated with shrinkage gas, which makes up approximately 7.5% of transmission services revenue. Shrinkage gas is own use gas (e.g. gas used to run compressors) and natural gas required to replace Unaccounted for Gas ('UAG'). The 2.5% difference recovers other costs related to the quantity of gas flowed e.g. CO_2 emissions. Also, there are less quantifiable costs captured here such as wear and tear on the compressors due to batch flows.
- The commodity tariff is applied to all entry and exit points. The entry commodity tariff is the same at all entry points and the exit commodity tariff is the same at all exit points.

(270) The TSO does not apply fixed payable prices.

[70] Further detail is provided in Appendix A of CRU consultation paper CRU/18/247.

[71] The reasoning for these levels is detailed in section 3.11 of the CRU decision paper CRU/19/060.

[72] This is a 150km transmission pipeline that was built to connect the Corrib gas field production facility at Bellanaboy to the existing ring main at Cappagh South to deliver gas from the Corrib gas field to the Irish market. The construction of the Corrib Linkline was funded by the Corrib Partners and is not underwritten by Irish gas consumers i.e. it is not part of GNI's regulated asset base. Therefore, the majority of the revenue raised is passed from GNI to the Corrib Partners. However, GNI operates the Corrib Linkline as it is part of the transmission system, and retains some revenue to reflect its operational costs (see Appendix B.4.2 of CRU/19/060 for further information).

(271) The reconciliation of the TSO's revenue is performed every year. As of 31 September 2019, the regulatory account amounts to approximately EUR 55 million over-recovery. This represents approximately 30% of the annual allowed revenue. There has been a significant over-recovery in recent years due to demands being greater than expected. In order to avoid tariff volatility CRU has profiled this over-recovery over the remainder of PC4. The reconciliation of the regulatory account is carried out based on the following principles:

- As transmission tariffs are calculated in advance, the NRA must use forecasted data i.e. forecast inflation, revenues and pass-through costs. However, once actuals are available, the NRA carries out an adjustment to take those into account. This is called a Correction Factor or K-factor adjustment. The K-factor is for 2 years previous as that is when the actual data is available i.e. when setting the tariffs for 2019/20 CRU closes out the Gas Year 2017/18. The formula for the K-Factor is set out in CER/03/170. By way of explanation there are two rules to the formula:
  .i. Any over-recovery in excess of 105% of allowed revenues is returned in the following gas year e.g. any 2017/18 k-factor >105% is returned in Gas Year 2020/21, not Gas Year 2019/20. This is to ensure that the tariffs are stable and that volatility is avoided;
  .ii. Any over- or under-recovery of revenue attracts an interest rate of Euribor (interbank lending rate) +2%. Any over-recovery in excess of 103% of revenue attracts an interest rate of Euribor +4%. This is to incentivise GNI to make accurate forecasts of demand and new customer connections.

9.2 How has CRU addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(272) In the Report of the Agency[73] analysing the tariff consultation of Ireland, the Agency recommended CRU to publish the total allowed revenue specifying its transmission and non-transmission shares.

- CRU has addressed this recommendation by publishing an absolute figure for the non-transmission share in its motivated decision, the transmission services revenue was already available. The forecast non-transmission services revenue for 2019/20 is EUR 67,084. The specific transmission (EUR 176,651,981) and non-transmission (EUR 67,084) revenue figures for Gas Year 19/20 are contained in GNI's RPM which is available on their website[74].

(273) The Agency recommended CRU to provide adequate transparency and details on the status of the Twynholm exit point, taking into consideration the existing intergovernmental treaty and the underlying transmission agreement. This shall allow clarifying the effect, if any, on cost-reflectivity, non-discrimination, avoiding undue cross-subsidisation, volume risk and cross-border trade.

- CRU has addressed this recommendation by providing full transparency on the Twynholm exit point as part of its motivated decision[75]. In summary, at the time of the consultation, CRU treated Twynholm as an exit point under the NC TAR. As such, an exit tariff for Twynholm was included

[73] Agency Report available at: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Ireland.pdf.

[74] 2019/20 RPM available at: https://www.gasnetworks.ie/corporate/gas-regulation/tariffs/transmission-tariffs/

See Appendix B.2 in CRU decision CRU/19/060 for further information on how CRU addressed this recommendation in its motivated decision.

[75] See Appendix B.3 in the CRU decision CRU/19/060 for further information.

in GNI's tariff model: as is required for all exit points under Article 6(3) of the NC TAR. For clarity, in publishing that tariff, CRU was not of the view that parties transporting gas in accordance with the transportation agreement[76] would be subject to a Twynholm exit tariff. Although a tariff for Twynholm was included in the consultation, the Code of Operations does not facilitate the booking of capacity by Irish shippers at Twynholm. Given this inability to book capacity, CRU considers that, for the purposes of the NC TAR, Twynholm is not an exit point. As such, CRU removed the Twynholm point from the tariff model and a tariff is not calculated for Twynholm.

(274) The Agency recommended CRU to explain how the non-transmission over- and under-recovery are addressed.

- CRU has addressed this recommendation by providing an explanation of the process as part of its motivated decision. In summary, a reconciliation/correction is completed ex-post to reflect the differences between the forecasted and actual flows[77].

(275) The Agency recommended CRU verify that all proposed charges on top of the RPM tariffs are not related to access to the network. If they are instead related to it, they should be recovered via the RPM

- CRU has addressed this recommendation by further examining these charges as part of its motivated decision. GNI does not earn revenue on these charges and they are not related to access to the network. They arise due to: GNI balancing actions, shipper imbalances & scheduling differences, and capacity overruns[78]. In summary, CRU came to the view that these charges are outside of the scope of the NC TAR, due to the following:
  .i. GNI is obliged to ensure the physical balance of the system and takes balancing actions as it deems necessary to achieve this obligation. GNI takes balancing actions via the trading platform, in accordance with NC BAL. Shippers do not incur these costs in order to access the network. In addition, the Agency in its review of Denmark's consultation noted that it agreed with the assessment that the purchase and sale of balancing gas are excluded from the scope of the NC TAR;
  .ii. Imbalance & scheduling charges are in place to encourage certain shipper behaviour, i.e. the former incentives shippers to be physically in balance on a day and the latter incentives shippers to accurately nominate the gas flowed at entry or exit. Shippers do not incur these costs in order to access the network. In addition, the Agency in its Tariff Report on Northern Ireland noted that imbalance charges are excluded from the scope of the NC TAR;
  .iii. A network user incurs a capacity overrun charge where it uses capacity in excess of its applicable capacity. This charge is in place to encourage certain network user behaviour (i.e. for Shippers to not exceed their reserved capacity), network users do not incur these costs in order to access the network. In addition, the Agency in its reviews of the Greek and Czech consultations noted that the former has a charge for exceeding reserved capacity,

[76] A Transportation Agreement (TA) is in place between GNI (UK) and Premier Transmission Limited (PTL) for all flows from Great Britain to Northern Ireland customers. This agreement is supported by an intergovernmental treaty.

[77] See Appendix B.4 in CRU decision CRU/19/060 for further information.

[78] See Appendix B.5 in CRU decision CRU/19/060 for further information.

and the latter has capacity overrun fee, and in both cases, the Agency was of the view that these charges/fees did not fall within the scope of the NC TAR.

(276) The following additional elements included in the motivated decision differ from the public consultation.

- Treatment of shrinkage. The final decision is to recover shrinkage costs as part of the allowed revenues of the TSO, as proposed in the consultation paper. In the consultation paper it was proposed to implement this change in Gas Year 19/20 but in the decision paper it was decided following consideration of the responses that the change would be implemented in Gas Year 2020/21 in order to allow for technical implementation issues to be resolved by the TSO in advance[79].
- LNG discounts. As was proposed in the consultation, CRU has decided to allow LNG facilities to apply for a discount on tariffs. CRU provided additional detail on how these applications could be made and would be assessed by CRU in the decision paper as compared to the consultation paper. Specifically, CRU has made slight amendments to the non-binding criteria, against which applications would be assessed and CRU has set timelines for the submission of an application for a discount by an LNG project promoter in the decision paper80.
- Renewable gas tariff. In the consultation paper CRU proposed two methods for calculating an RNG entry tariff: based on a geographically dispersed notional entry point or based on a notional entry point close to demand. In the decision paper CRU decided to use the geographically-dispersed notional point approach in order to set the RNG entry tariff[81].
- Virtual reverse flow tariff. As proposed in the consultation paper, CRU has decided to charge a tariff for use of the VRF product, which will be set using the principles and requirements for standard interruptible capacity products set out in the NC TAR. CRU amended the structure of the tariff somewhat in the decision paper from that in the consultation paper. In this regard CRU decided not to apply short-term multipliers to the VRF product for reasons listed in the decision paper[82].

(277) The table below summarises how CRU has taken into account the recommendations made by the Agency.

[79] See Section 3.4.3.3 of CRU decision CRU/19/060 for further information

[80] See Section 3.8 of CRU decision CRU/19/060 for further information.

[81] See Section 3.9 of CRU decision CRU/19/060 for further information.

[82] See Section 3.11 of CRU decision CRU/19/060 for further information.

Table 20: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation															na	na	na	na
Motivated decision															na	na	na	na

9.3 Checklist information Article 26(1)

Table 21: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	No	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Yes	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

9.4 Other questions relevant to the applicable TSO tariffs

9.4.1 Is the NRA motivated decision translated to English?

(278) Yes.

9.4.2 Access to networks services set outside the motivated decision

(279) No. These are all detailed in the motivated decision.

9.4.3 TSO revenues outside the scope of the NC TAR

(280) Yes. When a customer connects directly to the transmission system, they pay the TSO towards the cost of the connection (customer contribution). However, the TSO is revenue neutral as the TSO

receives an allowance for customer contributions as part of the 5-year price control, which is net customer contributions. These are reconciled in the lookback.

9.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(281) No.

9.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(282) No.

9.4.6 Expected date for the next NRA tariff motivated decision

(283) Expected date for the next NRA motivated decision: 31 May 2024.

10. Country sheet: Italy

10.1 NRA motivated decision

(284) Regulatory Authority for Energy, Networks and Environment ('ARERA') has set the gas transmission tariffs following the motivated decision[83] published on 28 March 2019 for the following period:

- Duration of the regulatory period: 2020-2023;
- Duration of the tariff period: 1 year;
- Entry into force of new tariffs: 1 January 2020.

(285) ARERA sets tariffs for the TSOs operating in the Italian entry-exit system.

(286) The allowed revenue for the 2020 tariff period from 1 January 2020 to 31 December 2020 is EUR 2,145 million (including both transmission and non-transmission services), with the following disaggregation per TSO:

- Consorzio della Media Valtellina per il Trasporto del Gas: EUR 0.9 million;
- Energie Rete Gas S.p.a.: EUR 5.0 million;
- GP Infrastrutture Trasporto S.r.l. : EUR 0.2 million;
- Infrastrutture Trasporto Gas S.p.a: EUR 18.7 million;
- Metanodotto Alpino S.r.l.: EUR 1.0 million;
- Netenergy Service S.r.l.: EUR 0.5 million;
- Retragas S.r.l.: EUR 6.9 million;
- SGI S.p.a.: EUR 63.5 million;
- Snam Rete Gas S.p.a.: EUR 2,048.1 million.

(287) ARERA applies a CWD RPM. The methodology is applied jointly to all the TSOs. An ITC has been consulted and is in place to guarantee that each TSO earns its share of allowed revenue.

(288) The following adjustments are applied to the RPM:

- Equalisation: the same reference price is applied to the following groups of points: entry points from storage; exit points to storage, domestic exits within 15 km from the national network; domestic exit points over 15 km from the national network;
- Rescaling for reference prices resulting from the CWD RPM after storage discounts, by multiplying entries and exits for the respective factor. This operation is performed to guarantee the recovery of the allowed revenue with respect to forecasted contracted capacity;
- Discounts of 50% to points to and from storage facilities.

(289) The NC TAR foresees a CAA as laid out in Article 5. The result of the capacity CAA is 1.42%. The result of the commodity CAA is 1.31%. The cost drivers used for the calculation of the capacity CAA are the same as the CWD.

[83] NRA motivated decision available at https://www.arera.it/it/docs/19/114-19.htm. English version available on SNAM website at the following link: https://www.snam.it/export/sites/snam-rp/repository-srg/file/it/business-servizi/codice-rete-tariffe/Tariffe_trasporto/2019/Resolution_ARERA_no.114-2019-R-gas_EN.pdf.

(290) The applied RPM results in the following ratios:

- Capacity - commodity split: 86% - 14%;
- Transmission - non-transmission: 98% - 2%;
- Intra-system - cross-system: 99.8% - 0.2%;
- Entry-exit split: 28% - 72%.

(291) The NRA applies ex-ante discounts for standard capacity products for interruptible capacity of 15%[84].

(292) The NRA applies the following charges for non-transmission services:

- Metering service charge ('$CM^{T'}$), covering costs for meter and meter reading on the transmission network. The charge is applied at domestic exit points (excluding storage). The service accounts for EUR 40.8 million revenue.
- Metering service at end users charge ('$CM^{T'}$), covering costs for the metering activity on delivery points where the metering facility is owned by the TSO (instead of the final customer). The charge is applied only at domestic exit points (excluding storage), where the metering facility is owned by the TSO. The service accounts for EUR 0.7 million revenue.

(293) The NRA applies commodity-based transmission tariffs:

- A single flow-based charge ('CV', subsequently renamed as 'CV_U') is levied for the purpose of covering operating costs (including fuel costs, unaccounted-for gas, network losses) and applied to all exit points. The cost driver for such charge is the volume of gas withdrawn at exit points, based on historical average of year y-2.
  .i. Share of revenue to be recovered by these tariffs: 14%;
  .ii. What points is this tariff applied to? All exit points.
- A complementary revenue recovery charge ('CV_{FC}') is levied for the purpose of managing revenue under- and over-recovery and is applied to exit points other than interconnection points.
  .i. For year 2020, the value is zero;
  .ii. Levied for the purpose of managing revenuer under- or over- recovery? Yes;
  .iii. What points is this tariff applied to? Exit points other than interconnection points;
  .iv. Has the NRA provided the assessment required by Article 4.3.b.iv? In terms of cost-reflectivity, under- and over-recoveries are minimised by taking the best estimate of capacity bookings into account, and by managing the corresponding sums on a yearly basis. As a result, the value of the complementary revenue recovery charge is negligible and so is its potential impact on cross-subsidisation between interconnection points and points other than interconnection points.

(294) The TSO does not apply fixed payable prices.

(295) The reconciliation of the TSO is performed every year. Based on historical data, the amount of the regulatory account is expected to be in the range of +/- 1% of the target revenue. As of 31 December 2018, the regulatory account amounts to EUR 183.9 million (over-recovery), representing about 9%

[84] The list of interruptible capacity products together with a description of the probability of interruption is available at the following links (Ref. Network Code Chapter 3 - § 2.2 and Chapter 5 - § 3.5 and § 3.6) http://www.snam.it/en/transportation/network-code-tariffs/Network_Code/Aree/Codice_di_rete.html.

of the target revenue for year 2020. This amount is mainly due to the one-time application of the reshuffling mechanism in past years; it will mostly serve to compensate the TSO from missing revenues arising from the reshuffling mechanism in years 2020 and 2021, with little to no effect on the complementary revenue recovery charge. The reconciliation of the regulatory account is carried out based on the following principles:

- For transmission services, recovery of revenues related to year y happens in year y+1 via a compensation with the 'Conto oneri trasporto' account, managed by Cassa per i servizi energetici e ambientali. The account is financed with the complementary revenue recovery charge CV^{FC}.
- For the metering service, recovery of revenues related to year *y* happens in year *y+2* through a corresponding adjustment of the allowed revenues.

10.2 How has ARERA addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(296) In the Report of the Agency[85] analysing the tariff consultation of Italy, the Agency recommended ARERA to provide greater transparency and clearer explanations on the effects of reshuffling on all aspects of the tariff setting, while aiming at minimising its potentially distortive impact. ARERA has addressed this recommendation by:

- Describing the potential effects of the reshuffling mechanism on tariff setting[86];
- Amending the initial proposal by managing the reshuffling mechanism under the reconciliation mechanism only, thus preventing any distortive impact on capacity-based charges;
- In particular, with resolution 666/2017/R/GAS ARERA allowed users who had long-term capacity contracts in place to release the corresponding capacity in exchange for the possibility to use ('reshuffle') such capacity within the third gas-year after the expiry of the long-term contract. Since this capacity was already paid for, its use only requires corresponding the difference, if any, between the tariff at time of use and the tariff at time of release, plus any auction premium;
- In 2017 and 2018, a share of the released capacity was also re-booked (and paid for) on a short-term basis, thus determining an over-recovery of revenues for the TSO (see previous point);
- In compliance with resolution 114/2019/R/gas, the over-recovery was attributed to the regulatory account and the corresponding sum was transferred from the TSO to Cassa per i servizi energetici e ambientali;
- For tariff calculation purposes (both for the weight of the CWD and the rescaling), and in particular for the determination of forecasted contracted capacity, the capacity used after the expiry of the contract ('reshuffled') is considered *same as* any other contracted capacity, even if "reshuffled" capacities are not paid for at time of use;
- This will likely result in an under-recovery of revenues for the TSO, which will be compensated via the regulatory account.

(297) The Agency recommended ARERA to provide analytical transparency on how the 'distance' driver is calculated. ARERA has addressed this recommendation by:

[85] Agency Report available at https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Italy.pdf.

[86] See page 13 and 14 of resolution 114/2019/R/gas, English version.

- Explaining that, both with reference to the national network and the regional network, in general terms the distance is calculated on the basis of the physical distance (length of the pipelines) between two points or clusters of points (page 14 of resolution 114/2019/R/gas, English version);
- Providing a more detailed description of how the distance driver was calculated in the final consultation (page 24 of resolution 114/2019/R/gas, English version);
- Adopting an even simpler and easier to replicate methodology to calculate distance[87]. In particular, for the purpose of calculating the weighted average distance for exit points, delivery points are combined into 12 exit points, determined on the basis of the 6 withdrawal areas and 2 clusters depending on the distance from the national network (less/more than 15 kilometres). The distance from each entry point to each group of delivery points is calculated as the sum of: a national network distance, calculated as the average distance from the entry point to the main interception and offtake points (PIDI) of the group of delivery points, weighted for each PIDI according to the planned allocation capacities at each PIDI underlying point; and a regional network distance, calculated as the average - for the PIDIs for the delivery points group - of the PIDI-delivery point distances, weighted by the planned allocation capacity at the delivery points.

(298) The Agency recommended ARERA to provide an improved and complete tariff model.

- ARERA has addressed this recommendation by including, in the tariff model, assumptions on future capacity bookings and the calculation of the commodity-based charge[88].

(299) The Agency recommended ARERA to remove the proposed discount applied to domestic exit points located within 15 kilometres from the national transmission network.

- ARERA has addressed this recommendation by removing the arbitrary discount applied to domestic exit points within 15 kilometres from the national network; a differentiation is still in place between the two cluster of points (within 15 km/over 15 km) but the discount is a result of the application of the RPM[89].

(300) There were no relevant further additional elements included in the motivated decision differing from the public consultation.

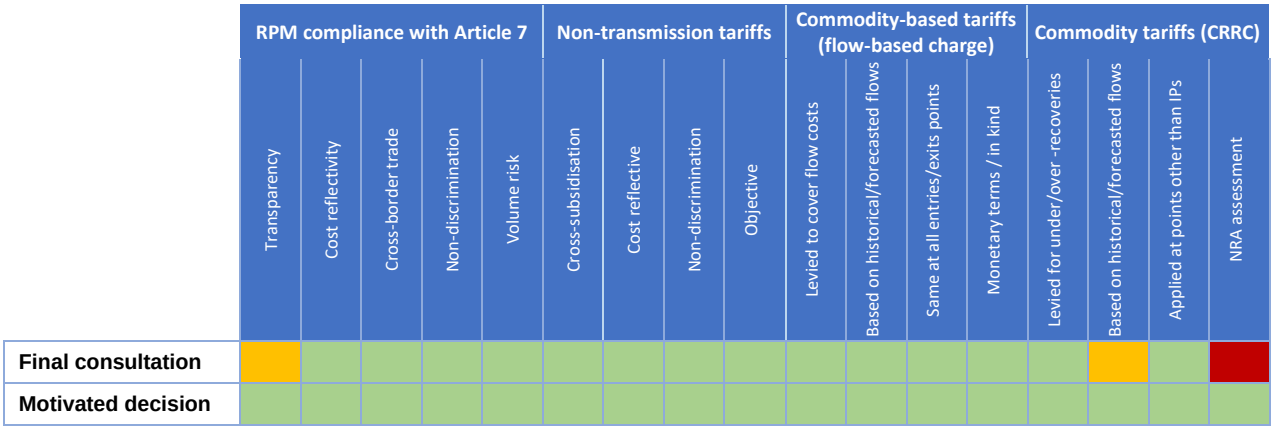
(301) The table below summarises how the ARERA has taken into account the recommendations made by the Agency.

[87] See page 22 of Annex A to resolution 114/2019/R/gas, English version.

[88] Simplified tariff model available at: https://www.snam.it/it/trasporto/codice-rete-tariffe_trasporto/dco_tariff/#_blank.

[89] See Point 16.3.b, Annex A to resolution 114/2019/R/gas.

Table 22: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).



(302) Regarding the NRA assessment of the CRRC, the motivated decision does not provide an explicit assessment, given that the forecast value is zero. In general terms, cost-reflectivity is attained and under- and over-recoveries are minimised by taking the best estimate of capacity bookings into account, and by managing the corresponding sums on a yearly basis. As a result, the value of the CRRC is negligible and so is its potential impact on cross-subsidisation between interconnection points and points other than interconnection points. A more explicit assessment may be provided by the NRA when approving the CRRC for year 2021.

10.3 Checklist information Article 26(1)

Table 23: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Partly. Missing values of distances. Sample values and calculations provided bilaterally to ACER	Yes. Values of distances were published.
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Partly. Details provided bilaterally to ACER	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Partly. Indicative tariffs not provided for one of the two commodity charges	Yes. Both tariffs were provided.

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Partly. Indicative tariffs not provided for one of the two transmission charges	Yes. All non-transmission charges were provided.
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2)	Partly. The tariff model does not include commodity charges, does not allow to calculate commodity tariffs, nor to estimate tariffs evolution	Yes. The tariff model was updated as to include commodity charges and to estimate tariffs evolution
26(1)(e)(i)-(iv)	Fixed payable prices.	Not applicable	Not applicable

10.4 Other questions relevant to the applicable TSO tariffs

10.4.1 Is the NRA motivated decision translated to English?

(303) Yes.

10.4.2 Access to networks services set outside the motivated decision

(304) Users requiring connection to the network must pay a connection fee defined by the TSO in its Network Code. The connection fee is defined as to cover the difference, if any, between i) the investment cost and ii) the revenue expected to be recovered by future capacity bookings at the new point. Investment costs are borne by the TSO, but the amount of the connection fee received is deduced from the allowed revenue.

10.4.3 TSO revenues outside the scope of the NC TAR

(305) Revenues related to optional services (e.g. consultancy services rendered to third parties, real estate management) rendered by the TSO on a market basis.

(306) Revenues related to NC BAL. These include both incentive schemes pursuant Article 11 and revenues to cover costs related to balancing activities[90] falling under the neutrality principles set out in Article 29.

(307) Revenues to cover costs for market monitoring activities (ARERA resolution 631/2018/R/gas), on a cost-plus principle.

10.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(308) Yes. In addition to transmission and non-transmission charges TSOs also apply system charges. Such compensations include those related to storage and LNG facilities, energy efficiency

[90] Such as buying and selling gas for balancing purposes and related income/losses daily imbalance charges, within day charges, balancing actions charges.

measures, gas settlement. Such charges are only applied at delivery points (no charging at entry points and cross-border exit points) and the corresponding revenues are forwarded to Cassa per i Servizi Energetici e Ambientali ('CSEA'), which manages the compensations. (Details are provided in Title VIII of Annex A to resolution 114/2019/R/gas.)

10.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(309) All capacity-based transmission tariffs are derived using the RPM. Those who are not are either commodity-based (CV_U and CV_{FC}) or related to non-transmission services (CM^T, CM^{CF})[91].

10.4.6 Expected date for the next NRA tariff motivated decision

(310) Expected date for the next NRA motivated decision: Q1 2023.

[91] Also, all charges described in paragraph (309) are not derived using the RPM. It has to be noted that those system charges are only charged by the TSOs, but they are not calculated by TSOs, nor the corresponding revenues are kept by the TSO.

11. Country sheet: Republic of Latvia

11.1 NRA motivated decision

(311) Public Utilities Commission of Latvia ('PUC') has set the gas transmission tariffs following the motivated decision[92] published on 27 November 2019 for the following period:

- Duration of the regulatory period: 1 January 2020 – 30 September 2022;
- Duration of the tariff period: 1 January 2020 – 30 September 2022;
- Entry into force of new tariffs: 1 January 2020.

(312) PUC sets tariffs for the only Latvian TSO, JSC Conexus Baltic Grid, operating in the Finnish, Estonian and Latvian (FINESTLAT) market zone:

- The FINESTLAT market zone is a single natural gas transmission entry-exit system (FINESTLAT system). Therefore, the natural gas network access model involves these three countries – Finland, Estonia and Latvia;
- The TSOs involved in this market zone are: Gasum AS (Gasgrid Finland Oy as of 1 January 2020), Baltic Connector Oy, Elering AS, JSC 'Conexus Baltic Grid'.

(313) The Latvian TSO, together with its Estonian and Finnish counterparts, applies an ITC. The three NRAs provided a coordinated positive opinion on the principles of ITC mechanism laid out in the TSOs' agreement, prior to their public consultation on their respective transmission tariffs[93].

(314) FINESTLAT system is characterized by the following key features:

- No internal interconnection points within FINESTLAT system, including entry point from Inčukalns UGS and exit point to Inčukalns UGS;
- The postage stamp reference price methodology is applied separately in each country of the FINESTLAT system;
- A flat tariff of EUR 142.77 MWh/d/y is set at all external entry points of FINESTLAT (the concerned NRAs used the secondary adjustment 'benchmarking' to justify this setting);
- The exit tariffs are set to ensure that each TSO recovers the part of its own transmission system service revenue which has not been recovered from entry tariffs;
- The revenue of the natural gas transmission system service recovered from the tariffs of the external entry points are distributed through the ITC mechanism in proportion to the quantity of natural gas consumed in each country of the FINESTLAT system.

It is important to note that the settings of the ITC were not part of the tariff decision.

[92] NRA motivated decision available at https://likumi.lv/ta/id/311031-par-akciju-sabiedribas-conexus-baltic-grid-dabasgazes-parvades-sistemas-pakalpojuma-tarifiem for tariff approval;

at https://likumi.lv/ta/id/307981-dabasgazes-parvades-sistemas-pakalpojuma-tarifu-aprekinasanas-metodika for tariff calculation methodology approval;

at https://www.sprk.gov.lv/sites/default/files/cmaa_files/LemumsN201D18122019.pdf on RPM according Article 27(4) NC TAR.

[93] Nonetheless, the ITC mechanism was described in the Latvian public consultation. On 18 December 2019, PUC adopted its decision No 201 'On Reference Price Methodology and Agreement on the Inter-Transmission System Operator Compensation Mechanism', concluding that decision No.1/10 of 3 July 2019 'Methodology for Calculation of Tariffs for Natural Gas Transmission System Service' and the ITC mechanism shall not be changed.

(315) The allowed revenue for JSC Conexus Baltic Grid for the tariff period from 1 January 2020 to 30 September 2022 is EUR 91.3 million.

(316) PUC applies a postage stamp RPM. The methodology is applied to the JSC Conexus Baltic Grid (The methodology is applied separately to all TSOs of FINESTLAT market zone).

(317) The following adjustments are applied to the RPM:

- Benchmarking: a flat tariff of EUR 142.77 MWh/d/y at all external entry points of FINESTLAT system is applied. The NRAs of Finland, Estonia and Latvia concluded that the competitive reference price for the entry points is the average yearly entry capacity product tariff of all EU countries (except the Baltic States and Finland). This flat entry tariff is set in order to fulfil the following objectives:
  .i. It is calculated in such a way that the wider objective of the FINESTLAT single natural gas transmission entry-exit system joining the EU common market is taken into account;
  .ii. It gives a motivating price signal to the natural gas suppliers to ensure compatibility with the changes in the competitive environment after ending the state of isolated market;
  .iii. It facilitates trade links with the EU's continental market through forward swap transactions;
  .iv. It motivates third parties to launch their activities in the FINESTLAT single natural gas transmission entry-exit system.
- Discounts to points to and from storage facilities: Pursuant to Article 9(1) of the NC TAR, a discount of 100% is applied to the tariffs at the entry/exit points from/to the natural gas storage facility.
- Rescaling: The revenue foregone resulting from the application of the 100% discount to the tariffs at the entry and exit point with the natural gas storage facility is recovered through an increase of the tariff applied for the domestic exit.

(318) The NC TAR foresees a CAA as laid out in Article 5 of the NC TAR. The result of the CAA is 159.22%. The cost drivers used for the calculation is forecasted-contracted capacity.
Given that the absence of internal tariff within the FINESTLAT system and the 100% discount to the tariffs at entry and exit points with the storage facility, the result of the CAA increases significantly.

- An additional CAA has been performed in case the missing revenue associated with the 100% discount to the tariffs at entry and exit point with the storage facility are attributed to all entry and exit points of the natural gas transmission system. In that case, the cost allocation comparison index is 0.2, indicating that there is no cross subsidisation between intra-system and cross-system network use.

(319) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0% (given that there is no booking at the domestic exit point, a capacity-based tariff for the use of the domestic exit point is converted into the commodity (energy) charge resulting on indicative capacity - commodity split: 9% - 91%).
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 83% - 17%.

(320) The NRA applies ex-ante discounts for standard capacity products for interruptible capacity.

(321) The NRA does not consider that it applies commodity-based transmission tariffs:

- However, even if only capacity-based tariffs are theoretically applied, there is no booking at the domestic exit point. The capacity-based tariff for the use of the domestic exit point is therefore converted into the commodity (energy) charge. The share of revenue to be recovered by these tariffs at domestic exits is 91%.

(322) The TSO does not apply fixed payable prices.

(323) The reconciliation of the TSO is performed every 3 years (i.e. after regulatory (tariff) period. For the tariff period starting on 1 January 2020 – after 33 months). PUC reconciles the difference between the allowed revenue and the realised revenue, by modifying the domestic exit tariff.

11.2 How has PUC addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(324) In the Report of the Agency[94] analysing the tariff consultation of Latvia, the Agency recommended PUC to review the compliance of the proposed calculation for deriving tariffs with the provisions of the NC TAR, so that the agreed entry tariff for the FINESTLAT market zone is accompanied by clear and well described steps explaining how the RPM is applied to all points and how different adjustments are applied to arrive at a common entry tariff.

(325) Second, the Agency recommended PUC to provide clarity on the calculation used to set the current commodity charge and welcomes the objective to implement a fully capacity based transmission tariff at the beginning of the next regulatory period.

(326) Third, the Agency recommended PUC to clarify the parameters of the tariff model allowing to calculate tariffs. Such model should include the required steps related to the ITC mechanism and to the split of revenues between all entries and all exits. In the Latvian case, the revenues from the ITC mechanism should be considered as coming from an entry.

(327) The Agency recommended NRAs participating in the market integration process including PUC to launch a consultation on the proposed ITC mechanism with the aim of providing a joint NRA Decision. Such consultation should address the following points: the costs that are subject to the ITC mechanism; the calculation to redistribute the costs that are subject to the ITC mechanism; the redistribution of the revenues that are subject to the ITC mechanism be assessed against Article 10(3)(a) of the NC TAR and is in line with Chapter 5. Such an assessment should provide clarity on the potential cross-subsidisation resulting from the ITC mechanism and the joint consultation should aim at the harmonisation of the tariff and regulatory periods, and should touch upon the regulatory accounts of the TSOs involved to ensure that that reconciliations are performed under similar conditions across TSOs.

[94] Agency Report available at http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Latvia.pdf.

(328) The Agency concluded that the current design can only be transitory towards a more established ITC setting. In this context, the Agency would consider it meaningful the following steps for creating a sustainable ITC mechanism in the future:

- The transmission assets jointly used within the regional market zone and their associated costs should be identified to ensure an acceptable level of cost-reflectivity at a regional level. Such an assessment should be based on a forecast of the flows;
- ITC mechanism should aim at allocating these costs in a manner that is in line with the distribution of the benefits of the market integration. In this way, the ITC mechanism would be sustainable as it could be used both for the costs of the existing infrastructure and for new investments.

(329) The Agency recommended the PUC to monitor the auction procedures and to check that there is sufficient competition. Should the auctions occur in the absence of competition, the resulting costs to be allocated to domestic users might become incompliant with the principle of cost-reflectivity. Therefore, the Agency considers that the compliance with the requirement of cost-reflectivity is directly related to the existence of a sufficient degree of competition in the auction mechanisms. The Agency notes, nonetheless, that this situation is only transitory.

(330) The Agency recommended that the PUC assess the impact of the storage auctions on the market dynamics to ensure that the potential benefits provided by the UGS are not outweighed by the potential market distortions.

(331) Agency recommended that the PUC assess the ownership status of the UGS facility to ensure a separation between the users bidding to store gas and the UGS facility.

(332) The Agency notes that the PUC has not translated the final decision to English. At the same time, based on the information provided by the NRA, the Agency understands that the recommendations made by the Agency have been addressed as follows: PUC considered that it has addressed all above-mentioned recommendations in its decision No. 201 of 18 December 2019 'On Reference Price Methodology and Agreement on the Inter-Transmission System Operator Compensation Mechanism[95]'.

(333) Indeed, the Agency concluded that the Tariff Calculation Methodology[96] is a transitory solution which needs to be improved based on the Agency's recommendations. Therefore, PUC considers that there is no need to amend its initial Decision No. 171 of 27 November 2019 'On JSC Conexus Baltic Grid natural gas transmission system service tariffs' at this stage (which shall be considered as its motivated decision in accordance with Article 27(4) of the NC TAR).

(334) However, PUC agrees that, by 31 July 2022, the following steps should be taken to implement the recommendations contained in the Agency's Report:

[95] https://www.sprk.gov.lv/sites/default/files/cmaa_files/LemumsN201D18122019.pdf.

[96]Decision No. 1/10 of the Boardof the Public Utilities Commission of 3 July 2019 'Methodology for the Calculation of the Tariffs on the Natural Gas Transmission System Service' https://likumi.lv/ta/id/307981-dabasgazes-parvades-sistemas-pakalpojuma-tarifu-aprekinasanas-metodika.

- The natural gas transmission system operators of the FINESTLAT system shall improve ITC mechanism and submit it to the NRAs of the FINESTLAT system for approval;
- The NRAs of the FINESTLAT system shall consult on the proposed ITC mechanism before its approval;
- The PUC shall carry out a final consultation of the proposed RPM in accordance with Articles 26 and 28 of the NC TAR;
- The PUC shall approve the Methodology for the Calculation of the Tariffs on the Natural Gas Transmission System Service and JSC Conexus Baltic Grid shall elaborate and submit the draft tariff to the PUC for approval in accordance with this methodology;
- PUC shall approve natural gas transmission system service tariffs.

(335) The table below summarises how the PUC has taken into account the recommendations made by the Agency.

Table 24: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7					Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation						n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision						n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(336) The RPM can´t be assessed against the requirements in Article 7 as a result of several incompliances with NC TAR and of the absence of translation of the final decision in English[97]. The Agency notes, however, that PUC agrees to consider its RPM as a transitional solution leading to full implementation of the NC TAR in 2022.

11.3 Checklist information Article 26(1)

Table 25: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Partially ('ITC')	Partially ('ITC')
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Partially (e.g. compression costs are not clearly forecasted)	Partially
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes

[97] However, the Methodology for the Calculation of the Tariffs on the Natural Gas Transmission System Service (PUC decision of 3 July 2019 No 1/10) was translated into English for the consultation according Article 26 of TAR NC and remains valid and available (https://www.sprk.gov.lv/content/publiskas-konsultacijas).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Yes	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

11.4 Other questions relevant to the applicable TSO tariffs

11.4.1 Is the NRA motivated decision translated to English?

(337) No.

11.4.2 Access to networks services set outside the motivated decision

(338) No.

11.4.3 TSO revenues outside the scope of the NC TAR

(339) No.

11.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(340) No.

11.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(341) No.

11.4.6 Expected date for the next NRA tariff motivated decision

(342) Expected date for the next NRA motivated decision: 31 July 2022.

12. Country sheet: Lithuania

12.1 NRA motivated decision

(343) National Energy Regulatory Council ('NERC') has set the gas transmission tariffs following the motivated decision[98] published on 10 October 2019 for the following period:

- Duration of the regulatory period: 2019-2023 (5 years);
- Duration of the tariff period: 1 year;
- Entry into force of new tariffs: 1 January 2020.

(344) NERC sets tariffs for the AB 'Amber Grid' ('TSO') which is the only TSO operating in the Lithuanian Entry-Exit system.

(345) The allowed revenue for the 2020 tariff period is EUR 36.07 million.

(346) NERC adopted a postage stamp RPM (with the features/adjustments, provided in the next paragraphs). Taking into consideration the current regional developments (creation of adjacent FINESTLAT tariff zone, comprising Finland, Estonia and Latvia) the NERC consultation document included 2 tariff proposals for 2020:

- Scenario 1 – A separate entry-exit zone – only Lithuania (national scenario);
- Scenario 2 – A common entry-exit zone with FINESTLAT, with Lithuanian tariffs adjusted in order to integrate the regional market (the main differences with the first scenario were equalized entry tariffs with those applied in FINESTLAT, a zero tariff at Kiemenai IP on both sides, and a rescaling of domestic exit tariffs).

(347) As the creation of a four countries tariff zones did not prove achievable in 2020, the prices for natural gas transmission services provided by the Lithuanian TSO during this year have been calculated based on Scenario 1. The Lithuanian transmission system is treated as a separate tariff zone.

(348) The following adjustments are applied to the RPM:

- Equalisation: at the Lithuanian entry tariff at IPs are equalised with the entry tariffs (EUR 142.77 MWh/d/y), which will be set across the common entry-exit zone of FINESTLAT;
- Discount applied to the entry point from the Lithuanian LNG terminal: A discount of 75% (the same as in 2019) is applied in 2020 at the entry point from Klaipėda LNG terminal in order to increase security of supply, and to foster diversification of energy sources (respectively adjusting the allowed revenue level of Kiemėnai and Domestic exit points and, thus, rescaling tariffs at Kiemėnai and Domestic exit points). The discount at LNGT entry point is planned to be applied during all regulatory period;
- Rescaling: tariffs at Kiemėnai and Domestic exit point are rescaled taking into account the other secondary adjustments equalisation and LNG discount.

[98] NERC motivated decision available at https://www.regula.lt/en/Pages/NewPricesforNaturalGasTransmissionServicesthatwillcomeintoeffectfrom1January2020.aspx.

(349) In addition, NERC currently performs two kinds of asset cost splits. Given this situation, NERC amends the usual postage stamp RPM:

- One for high pressure distribution branches ('regional network')[99]. The assets of the primary network and of the local network are identified and valued separately;
- One for the transit from third country to third country[100]. The district of Kaliningrad is supplied from Belarus by dedicated point-to-point products.

(350) The NC TAR foresees a CAA as laid out in Article 5. NERC provided several calculations of its CAA, allowing the Agency to assess the impacts of different specificities of the RPM. The result of the usual CAA is 93.41% (related to capacity-based transmission tariffs, that will come into effect on 1 January 2020). This result is explained by the specificities of the Lithuanian RPM (local networks and transit to a third country). The cost drivers used for the calculation are forecasted-contracted capacity (as regards CAA for capacity) and forecast of annual gas flows (as regards CAA for commodity). Here are the detailed results provided by NERC:

- The cost allocation assessment for capacity charges, without taking into account the local network's costs, amounts to 62.72%. Without taking into account costs attributable to service of transportation to a third country and the result of the regulatory account (attributed to the domestic exit point), the result would be 1.98%. It should be noted that the evaluation of the result of the regulatory account distorted the CAA, because it significantly (by 18.6%) reduced the price per unit of capacity for intra-system users (for Lithuanian internal system users). For this reason, without taking into account an effect of the regulatory account, the comparison index decreases significantly and does not exceed the condition of 10%.
- The CAA calculated for commodity charges, without taking into account the local network's costs, amounts to 0%. It should be noted that the result of the regulatory account did not affect this index.
- Detailed calculations of cost allocation comparison indexes are presented in the model of calculation of the natural gas transmission service prices.

(351) The applied RPM results in the following ratios (as regards to the Tariffs that will come into effect on 1 January 2020):

- Capacity - commodity split: 90% - 10% (the split applied for primary network only; primary network is transmission network used both for cross-border and domestic flows).
- Transmission - non-transmission:
  .i. 61% - 39% without taking into account an effect of the regulatory account or
  .ii. 68% - 32% taking into consideration the effect of regulatory account.
- Intra-system - cross-system:
  .i. 59% - 41% based only on the primary network's allowed revenue or
  .ii. 72% - 28% taking into consideration costs of local network and effect of the regulatory account.

(352) The NERC applies ex-post discounts for standard capacity products for interruptible capacity:

- The compensation is equal to three times the daily capacity product (this amount of compensation is regulated in Article 16(4) of the NC TAR);

[99] The Lithuanian TSO operates both a primary network and a local network (high pressure distribution branches)

[100] To transport gas from Belarus to the Kaliningrad district of the Russian Federation.

- It should be noted that in 2019 an ex-ante discount of 10% was applied for interruptible capacity products (in other words, their price accounted for 90% of the price of firm capacity product). In 2020, for the proper implementation of the provisions of the NC TAR, the aforementioned discount principle no longer applies.

(353) The NERC applies the following non-transmission services:

- Use of local/regional network (high-pressure distribution network designated only for the needs of domestic users). The service accounts for EUR 18 million revenue.

(354) The NERC applies commodity-based transmission tariffs:

- A 90% - 10% capacity-commodity split is applied, based on the proportion of variable expenses within total allowed revenue. Therefore, 10% of the allowed revenues (of primary network) is recovered through commodity-based transmission tariffs;
- This commodity charge is applied to all exit points: Kiemėnai, Šakiai and Domestic exits.

(355) The TSO does not apply fixed payable prices.

(356) The reconciliation of the TSO's revenue is performed every year. As of 2020, the regulatory account amounts to EUR 9.36 million (over-recovery), including deviations of actual costs, return on investments from those previously set by NERC, as well as other reasonable cost/income deviations from the indicators set or harmonised by the NERC that have a significant impact on the TSO's activities). This represents 21% of the base allowed revenue before applying the reconciliation of the regulatory account for 2020 (EUR 45.43 million – EUR 9.36 million = EUR 36.07 million). The reconciliation of the regulatory account is carried out based on the following principles:

- The Lithuanian TSO's allowed revenue may be adjusted once a year subject to the change in the inflation rate, prices of natural gas purchased for technological needs, taxes, amount of natural gas and/or, the requirements of legislation, investments made by TSO as agreed with NERC or deviation by TSO from the indicators determined in the Methodology;
- Under- and over-recovered transmission revenue for transmission (as well as for non-transmission) services, deviations from the established economically based cost, ROI and other indicators are attributed to the regulatory account. The amount of the regulatory account is set for each year of the regulatory period and is usually added to the allowed revenue of the next tariff period. There is also a possibility to spread the over-recovery balance of the regulatory account throughout several forthcoming tariff periods, applying additional 'borrowing' costs for TSO.

12.2 How has NERC addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(357) In the Report of the Agency[101] analysing the tariff consultation of Lithuania, the Agency recommended NERC to reclassify the use of the local network as a distribution service or as a transmission service, implement a single RPM with a single capacity-commodity split to the

[101] Agency Report available at https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Lithuania.pdf.

transmission system, irrespective of whether the local network is included in the scope of transmission or in the scope of distribution.

- In order to implement the Agency's recommendation regarding local network, NERC considered the fact that amendments in the national legislation will be required, therefore this recommendation is going to be implemented by applying transitional period. NERC in cooperation with TSO has developed detailed action plan to implement the Agency's recommendation and has already provided the proposal on amendments in the Law on Natural Gas to the Ministry of Energy of the Republic of Lithuania. Meanwhile, NERC has approved for the year 2020 the transmission service prices calculated according to the principles provided in the public consultation. NERC plans to approve the prices for natural gas transmission services considering Agency's recommendation once the national legislation will be adopted. Moreover, ongoing processes of creation of common Lithuania – FINESTLAT (comprising of Latvia, Estonia and Finland) region will affect tariffication in Lithuania;
- The Agency recommended NERC to clarify why a specific treatment is necessary for its transit route and simplify as much as possible the RPM, by proposing only one reference price for the regular firm entry capacity at the Kotlovka entry point from Belarus. The reserve price of the point-to-point product at this entry should be set by applying a discount to this reference price. NERC has implemented this recommendation by applying the discount for Kotlovka entry tariff, in case if the specific product is used (capacity to transport gas to a third country with restrictions through an exit point of Šakiai gas metering station ('GMS')). In order to cover the costs associated with transportation to a third country (on the route Kotlovka GMS – Šakiai GMS) and to properly implement the Agency's recommendation that was presented in paragraphs 4, 61, 62, 88 of the Agency's conclusion, an average discount of 74.8% applies to capacity with restrictions at Kotlovka entry point (pursuant to the Article 4(2) of the NC TAR).
- The following prices for 2020 are respectively publicly presented:
  .i. For the freely allocable capacity at Kotlovka entry point ('Kotlovka GMS') and
  .ii. For capacity with restrictions at Kotlovka entry point ('Kotlovka GMS' (for restricted capacity products)).

(358) The following additional elements included in the NERC motivated decision differ from the public consultation:

- Entry-exit split. The entry-exit split is slightly changed from 70/30 to 73.3/26.7 in order to fully harmonize entry tariffs with FINETSLAT (note: the 75% discount is applied at entry from LNG terminal in Klaipėda - the same as in 2019 and as in the public consultation document);
- Regulatory account. The result of regulatory account was not taken into account during public consultation, because AR setting and regulatory account balance is not a subject to the public consultation.

(359) The table below summarises how the NERC has taken into account the recommendations made by the Agency.

Table 26: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation															na	na	na	na
Motivated decision															na	na	na	na

(360) The postage stamp RPM adopted in Lithuania is modified by important adjustments, which are explained by the specific situation of the country (transit to a third country, regional integration with the FINESTLAT market zone…). Moreover, the Agency's recommendations regarding the non-transmission services will be implemented, when the required amendments in the national legislation will be adopted.

12.3 Checklist information Article 26(1)

Table 27: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Yes	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

12.4 Other questions relevant to the applicable TSO tariffs

12.4.1 Is the NRA motivated decision translated to English?

(361) Yes.

12.4.2 Access to networks services set outside the motivated decision

(362) Connection service[102]. Connection of new gas facilities to the operating Natural Gas Transmission System is a service provided by the Transmission System Operator to owners, users or operators of the new gas systems.

12.4.3 TSO revenues outside the scope of the NC TAR

(363) Administrative activity. According the Law of Liquid Natural Gas terminal (12 June 2012 No. XI-2053), Lithuanian transmission operator is administrator of security of supply charge, which consists of LNG terminal costs, designated supplier costs and administration costs (TSO). TSO collects the security of supply charge in accordance with NERC approved procedure and distribute/allocate collected funds to LNG terminal operator (AB 'Klaipėdos nafta') and designated supplier (UAB 'Ignitis'). It is important to note that security of supply administrative activity is separated (TSO for that activity has separate account), this activity has no influence on the transmission activity and tariffs.

12.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(364) No.

12.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(365) No.

12.4.6 Expected date for the next NRA tariff motivated decision

(366) Full consultation as per Articles 26 and 28 of the NC TAR will have to be run before implementation of GIPL, considering significant changes in infrastructure and possible developments in regional integration (Lithuania and FINESTLAT).

[102] More information you could find here: https://www.ambergrid.lt/en/services/procedure-for-the-connection-to-Lithuanias-gas-transmission-system.

13. Country sheet: Northern Ireland

13.1 NRA motivated decision

(367) The Utility Regulator ('UR') has set the gas transmission tariffs following the motivated decision[103] published on 17 December 2018 for the following period:

- Five-year regulatory period. The current Transmission regulatory period runs from 1 October 2017 to 30 September 2022;
- One-year tariff period, from 1 October 2019 to 30 September 2020;
- Annual tariff to continue to be effective from 1 October 2019.

(368) The Utility Regulator sets tariffs for the TSOs operating in the Northern Ireland market.

- There are four designated pipeline operators in Northern Ireland - GNI (UK), PTL, BGTL and WTL; each of which hold separate high-pressure conveyance licences. WTL is not a TSO (Transmission System Operator) as defined by the European Commission but it is generally referred to as a TSO for simplicity.

(369) The Utility Regulator applies an inter-TSO compensation mechanism, which is called Postalisation. There are four designated pipeline operators, each owning and managing a distinct part of the NI transmission network. The network is operated as a single system, in a single zone with a single transmission tariff. The postalised regime is designed to ensure that the licensees receive all their required revenue. The four licensees have implemented a contractual joint venture (CJV) arrangement to jointly operate the market facing commercial arrangements, known as the Gas Market Operator for Northern Ireland (GMO NI). GMO NI issues invoices to network users and the network users make payments into a joint bank account (the PoT). The payments are distributed to the licensees following the relevant licence formulae until all of the required revenue has been received.

The design of the postalised regime ensures the designated pipeline operators collect the amount of required revenues they are entitled to under their individual licences. Therefore, they will not be detrimentally affected by the arrangement. The common administration arrangements improve efficiency which helps to reduce tariffs.

(370) The allowed revenue for the 2019/20 tariff period from 1 October 2019 to 30 September 2020 is GBP 61.8 million, broken down by TSO as shown below. It should be noted that the allowed revenue is not a fixed amount and the final revenue is confirmed as part of the year-end reconciliation process.

Table 28: Allowed revenue of the TSOs (2019-20). Source: Utility Regulator.

TSO	Allowed revenue
Premier Transmission Ltd	26,443,585
GNI(UK)	18,782,083
Belfast Gas Transmission Ltd	8,553,923
West	8,006,624
Total Postalised Allowed Costs	61,786,215

[103] NRA motivated decision available at https://www.uregni.gov.uk/publications/decision-harmonised-transmission-tariffs-gas.

(371) The Utility Regulator applies a postage stamp RPM. The methodology is applied jointly to all the TSOs.

(372) The following adjustments are applied to the RPM:

- Discounts to points to and from storage facilities – none applied as there are no storage facilities.

(373) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 2, which is higher than the 10% stated in Article 5(6). The cost drivers used for the calculation are forecasted-contracted capacity and the forecasted gas flows. The formula does not allow for zero cross-system flows. The numerator is high as there is no cross-system ratio to be subtracted, and the denominator is low as the sum comprises only one ratio instead of two. This leads to result higher than that allowed in Article 5(6), but we are satisfied that the result has arisen due to zero cross-system flows and not through cross-subsidy.

(374) The applied RPM results in the following ratios:

- Capacity - commodity split: 75% - 25% for 2019/20, 85% - 15% for 2020/21 and finally, 95% - 5% from 2021/22 onwards;
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 100% - 0%.

(375) The Utility Regulator does not apply discounts for standard capacity products for interruptible capacity: no interruption continues to be forecast so we continue to not offer an interruptible capacity product.

(376) The Utility Regulator does not apply non-transmission services:

(377) The Utility Regulator applies commodity-based transmission tariffs:

- Flow-based charge is applied. The tariff includes a commodity charge which is levied for the purpose of covering the costs mainly driven by the quantity of the gas flow.
  .i. What is the share of revenue to be recovered by these tariffs? Currently 25%, but reducing as the capacity commodity split reduces as outlined in number 8 above.
  .ii. What points is this tariff applied to? It applies at the exit point.

(378) The TSO does not apply fixed payable prices.

(379) The reconciliation of the TSO is performed every year. As of January 2020, the regulatory account amounts to zero. The reconciliation of the regulatory account is carried out based on the following principles:

- Under- or over-recovery of revenues currently managed through the bullet payment, which is a single payment following the end of year reconciliation. It is included in the December invoice after the end of the gas year. The current bullet payment method ensures that the under- or over-recovery is fully recovered within a few months of the end of the year, which provides certainty of revenue to the mutualised TSOs. In most years, there is an over-recovery, so that some fees are repaid to shippers.

13.2 How has Utility Regulator addressed the recommendations made by the Agency in the Report on the final tariff consultation?

(380) In the Report of the Agency[104] analysing the tariff consultation of Northern Ireland, the Agency recommended the Utility Regulator to provide adequate reasoning on how the proposed RPM takes into account the principle of cost-reflectivity, the specificities of the NI gas system, the comparison with the CWD methodology and the impacts of system expansion on lowering costs for all gas users.

- The Utility Regulator addressed this recommendation by providing detailed explanations in the motivated decision, which was published in December 2018. Specifically, in section 4, Annex 2 and Section 7;
- The NC TAR requires that the RPM should be both cost-reflective and non-discriminatory, however for a linear gas pipeline like the NI transmission network, UR argues that it is impossible to fully meet both aims. Postalisation is non-discriminatory as every user is treated equally, however it is not cost-reflective, as some network users need their gas to travel further and use more of the pipeline than others. UR further argues that this approach has allowed network extensions where they would not otherwise have happened, which has allowed the social, economic and environmental improvements of gas to be available to more parts of Northern Ireland. UR demonstrated that, in addition to the equitable treatment and environmental benefits, there is also a long-term price benefit to gas consumers;
- The comparison to CWD demonstrated that the end prices would not be significantly different if distance were a cost driver;
- In addition to the benefits of equal treatment, non-discrimination and long-term net price benefit, postalisation has facilitated mutualised pipelines with reduced cost of capital which means lower tariffs for all;
- The Agency finds that UR's motivation for the choice of the RPM that is included in UR's final decision addresses sufficiently the Agency's recommendation. The Agency appreciates in particular the analysis of the benefits of the expansion of the gas market supported by socialisation that in the view of UR outweigh the reduced cost-reflectiveness of a non-distance based RPMK
- While the postage-stamp based RPM is not cost-reflective, the Agency understands that UR took into account elements outside the scope of the NC TAR that have positive effects on the gas market in Northern Ireland when deciding on the RPM.

(381) The Agency recommended the Utility Regulator to consider including more explicit information in its final decision on how the RPM takes into account the multi-TSO gas system in Northern Ireland and remarks that, according to Article 10(5) of the NC TAR, a separate consultation shall be conducted on an effective inter-transmission system operator compensation mechanism.

- The Utility Regulator addressed this by adding Annex 1 to its motivated decision document which outlined the features of postalisation and how it ensures that the TSOs are treated equally and shippers throughout NI are also treated equally. The Utility Regulator followed this up by actively seeking views[105] on whether the postalised regime provides an effective Inter-TSO

[104] Agency Report available at https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Northern%20Ireland.pdf.

[105] https://www.uregni.gov.uk/news-centre/consultation-published-seasonal-multiplier-factors-gas.

compensation mechanism, within its first annual consultation on seasonal multiplier factors. All of the respondents agreed that the postalised system meets the requirements, with some noting that it provides efficiency benefits.

(382) The Agency recommended the Utility Regulator to provide a more elaborate justification for the proposed level of the commodity charges, e.g. with estimates based on historic variable costs. The Agency recommended the Utility Regulator to consider the effects on different customers when it implements the lowering of the share of the commodity charges. The Agency also invited the Utility Regulator to elaborate on the entry-exit split calculation as required by Article 26(1)(b).

- The Utility Regulator addressed the first element by providing additional information in section 9 of the motivated decision. In particular, the document provides historic and forecasted fuel costs and concludes that, considering a margin for uncertainty, no more than 5% of transmission service costs are variable;
- The Utility Regulator addressed the other two elements in section 8 of the motivated decision[103], when it provided analysis of the forecasted transfer of revenue recovery between customer groups, showing how the change in the capacity commodity split could transfer some cost away from the power stations and towards the end-use gas consumers, because the latter have a higher capacity booking relative to gas usage (commodity). However, using the five-year tariff forecast, the cost transfer reduces during the five-year period due to a narrowing in the difference between the load factors as a result of changes in the Single Electricity Market. With the transition period meaning that the capacity commodity split will happen in a phased manner, we concluded that there would be little transfer of cost between customer groups and therefore minimal impact on the two consumer groups. In its final decision, UR also explored the potential to move to an ex-ante entry exit split and concluded there would be no noticeable difference to recovery between the two customer groups and it would continue to be calculated ex-post.

(383) The Agency invited the Utility Regulator to come to a consistent and unique labelling of the entry point referred to at times as Twynholm and at other times as Moffat.

- The Utility Regulator clarified the naming of the points in the Motivated decision, and included Annex 2, which outlined the topology of the NI network including maps.

(384) The following additional elements included in the motivated decision differ from the public consultation.

- Point 1 - The introduction of a transition period for the reduction of the commodity element of the charging regime, to move from 75:25 to 95:5 over a three-year period, rather than in one move. This was as a result of strong responses to the consultation document.

(385) The table below summarises how the Utility Regulator has taken into account the recommendations made by the Agency.

Table 29: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation						n.a.	n.a.	n.a.	n.a.	n.a.					n.a.	n.a.	n.a.	n.a.
Motivated decision						n.a.	n.a.	n.a.	n.a.	n.a.					n.a.	n.a.	n.a.	n.a.

13.3 Checklist information Article 26(1)

Table 30: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	N.A.	N.A.
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	N.A.
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

13.4 Other questions relevant to the applicable TSO tariffs

13.4.1 Is the NRA motivated decision translated to English?

(386) Yes.

13.4.2 Access to networks services set outside the motivated decision

(387) No.

13.4.3 TSO revenues outside the scope of the NC TAR

(388) Yes. PTL collects revenue for an offtake point which supplies the town of Stranraer in Western Scotland. This falls outside the postalised regime, and the scope of the NC TAR, because it is not located in Northern Ireland. This has occurred because the NI network passes through a part of

Scotland which would not otherwise be able to avail of a gas connection. The revenue is subtracted from PTL's allowed revenue before it goes into the postalisation calculations. This arrangement pre-dates the NC TAR. The PTL conveyance licence sets out how the tariff for the Scottish operator should be set and it is similar to the postalised tariff, except that it is not subject to end-of-year reconciliation. The income is netted off PTL's required revenue before it is submitted to the postalised tariff calculations. The Scottish operator then takes responsibility for setting the tariff for the end customers, as we understand they are offered the same tariff as other customers in that Local Distribution Zone.

13.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(389) No.

13.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(390) No.

13.4.6 Expected date for the next NRA motivated decision

(391) 31 May 2024.

14. Country sheet: Netherlands

14.1 NRA motivated decision

(392) Authority for Consumers & Markets ('ACM') has set the gas transmission tariffs following the motivated decision[106] published on 10 December 2019 for the following period: 1 January 2020 up and until 31 December 2024.

(393) ACM sets tariffs for GTS operating in the Netherlands.

(394) BBL Company pays an inter-TSO compensation of 25% of revenue from products sold besides the products sold that follow from long term contracts in 2020[107]. The markets will remain integrated after 2020. This means that in the period of 2021-2024 BBL Company will pay an inter-TSO compensation of 25% of the total revenue. The inter-TSO compensation will first be included in the tariffs for the period 2022.

(395) The allowed revenue for GTS for the 2020 tariff period from 1 January 2020 up and until 31 December 2020 is EUR 907,426,921.

(396) ACM applies a postage stamp RPM.

(397) The following adjustments are applied to the RPM:

- Discounts to points to and from storage facilities of 60%;
- No discounts to entry points from LNG;
- Rescaling is used to compensate for the missed income due to applying the discount to points to and from storage facilities.

(398) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 7.3%. The cost drivers used for the calculation are forecasted-contracted capacity. The CAA before adjustments result in 1.4%.

(399) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0%;
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 61% - 39%;
- Entry – exit split: 50% - 60%.

(400) ACM applies an ex-ante discount for standard capacity products for interruptible capacity of 0.01%[108].

(401) ACM does not apply non-transmission services.

[106] NRA motivated decision available at https://www.acm.nl/nl/publicaties/tarievenbesluit-gts-2020.

[107] See link for additional information: https://www.acm.nl/nl/publicaties/overeenkomst-nc-tar-besluit.

[108] The Pro is equal to 0.01% and the A is equal to 1.

(402) ACM does not apply commodity-based transmission tariffs.

(403) GTS does not apply fixed payable prices.

(404) The reconciliation of the TSO is performed every year. For the tariffs in 2020 there was a revenue reconciliation of EUR 16,576,114, due to over-recovery. This represents 1.82% of the allowed revenue for 2020. The reconciliation of the regulatory account is carried out based on the following principles:

- ACM reconciles the difference between the allowed revenue and the realised revenue;
- The reconciliation takes place in the year n+2. This means that the under- or over-recovery of the revenue in 2018 is reconciled in the tariffs of 2020.

14.2 How has ACM addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(405) In the Report of the Agency[109] analysing the tariff consultation of the Netherlands, the Agency recommended ACM to include the services Wobbe Quality adaptation and Peak supply. In the opinion of the Agency, these services fell within the scope of the NC TAR.

- ACM has not addressed this recommendation, since the national Gas Act does not allow this. In order to include these aforementioned services, the national Gas Act must first be adapted.

(406) The Agency considers that the ITC compensation between GTS and BBL should be assessed to ensure the cost reflectivity of tariffs and to avoid potential cross-subsidisation.

- The Agency understands that an ITC will be applicable. By the end of 2020 the first compensation will be paid by BBL. This will be equal to 25% of the revenues BBL has besides the long-term contracts. The markets will remain integrated after 2020. This means that in 2021-2024 BBL will pay a compensation equal to 25% of the entire revenues (thus including the revenues from long-term contracts). The amount of the ITC will vary from year to year, as it is dependent on BBL's revenue.
- The Agency has understood from ACM that it is not clear, how the agreed compensation relates to the missing revenue from the Julianadorp IP. The Agency views the application of an ITC as an improvement compared to the current situation. At the same time, it recommends ACM to assess how this compensation relates to the missing revenue from the Julianadorp IP. The Agency understands that such calculation would require using a number of assumptions on the use of the Julianadorp IP.

(407) The following additional elements included in the motivated decision differ from the public consultation.

- The discount for entry point to and exit points from a gas storage facility is increased from 50% to 60%. This decision was part of the sector agreement on 10 December 2018. The Agency notes that this adjustment is compliant with the NC TAR.

[109] Agency Report available at https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20Analysis%20of%20the%20Consultation%20Document%20on%20the%20Gas%20Transmission%20Tariff%20Structure%20for%20the%20Netherlands.pdf#search=analysis%20of%20the%20consultation%20document%20for%20the%20Netherlands.

- In the draft decision ACM proposed an entry-exit split of 50/50. In the final decision the entry/exit split is equal to 40/60. This decision was part of the sector agreement on 10 December 2018. The Agency notes that the decrease of the revenue allocated to entries can potentially lead to a greater cross-subsidisation of users exiting the NL system to BBL. The Agency recommends ACM to take into account the change in the entry-exit split when assessing how the compensation to be provided by BBL relates to the missing revenue of the Julianadorp IP.

(408) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 31: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation							n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision							n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

14.3 Checklist information Article 26(1)

Table 32: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	N.A.
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Y	Y
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

14.4 Other questions relevant to the applicable TSO tariffs

14.4.1 Is the NRA motivated decision translated to English?

(409) Yes.

14.4.2 Access to networks services set outside the motivated decision

(410) Peak supply service: It is not an ex-ante tariff-regulated task, and the revenues related to these tasks are not part of the allowed revenues. The peak supply task includes both supply and storage of gas for the purpose of supplying gas on very cold days (-9/-17 degrees). It is a public service obligation designed to protect end consumers, in case market parties don´t have sufficient contracted gas. The service is not related to the 'access to the natural gas transmission networks', so it is not included in the allowed revenues. It is charged to suppliers of households, so ultimately end-consumers pay for the service. The fee includes a fixed and a variable component, the latter being dependent on temperature. The part of the fee that is related to the network is equal to the tariffs following from the RPM.

(411) Wobbe Quality adaptation: It is a service whereby GTS processes, treats, or mixes gas in order to meet the specifications for gas that is injected to the network. The conversion is applied only at a point close to an LNG entry point in order to decrease the Wobbe index of the injected gas. It is not considered as a transmission service because the gas treated is off-specifications. The services included in the allowed revenue are based on costs related to the treatment of gas within specifications as defined in the national legislation. For example, the quality conversion service also serves the purpose of converting the Wobbe index, but it is applied to gas within specifications. For this reason, the quality conversion service is included as part of the allowed revenue. The WQA service is performed by GTS as a result of an agreement with an LNG facility, however there is no reason why other parties could not be performing theses same tasks (it is not a monopoly service). The costs are charged to the LNG facility (users of the service pay the costs).

14.4.3 TSO revenues outside the scope of the NC TAR

(412) Yes, GTS also provides the services peak supply and Wobbe Quality adaption, these services do not fall under the scope of the NC TAR.

14.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(413) No.

14.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(414) No.

14.4.6 Expected date for the next NRA tariff motivated decision

(415) Expected date for the next NRA motivated decision: May 2024.

15. Country sheet: Poland (Network of OGP Gaz-System S.A.)

15.1 NRA motivated decision

(416) The President of Energy Regulatory Office ('URE') has approved the gas transmission tariff for TSO's own network following the motivated decisions[110] published on 29 March 2019 for the following period: 1 January 2020 – 31 December 2022.

- Duration of the regulatory period: 1 calendar year;
- Duration of the tariff period: 1 calendar year;
- Entry into force of new tariffs: 1 January 2020.

(2) URE approved the 2020 tariff for TSO's own transmission network (Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.) on 31 May 2019[111]. English version of the tariff is available at TSO's website[112].

(3) The allowed revenue for the TSO transmission network (from 1 January 2020 until 31 December 2020) is PLN 1,644.10 million = EUR 386.85 million.

(4) URE applies postage stamp RPM for TSO's own network.

(5) The following adjustments are applied to the RPM:

- Discounts to points to and from storage facilities: 80% discount for entry and exit;
- Discounts to entry points from LNG: 100% discount;
- The revenue that is not recovered as a result of discounts is allocated to all points except LNG points[113]. The Agency points out that a rescaling adjustment is foreseen for this purpose in the NC TAR. Such adjustment should be applied at all entry points, or all exit points or both.

(6) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA for TSO's network is 9.83%. The cost drivers used for the calculation are forecasted-contracted capacity.

(7) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0% (contracted capacity is used for calculations);

[110] NRA motivated decisions for (1) Operator's transmission network and for (2) transmission network owned by System Gazociągów Tranzytowych EuRoPol GAZ S.A. (SGT) are available at https://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje-b/inne-decyzje-informacj/3777,Inne-decyzje-informacje-sprawozdania-opublikowane-w-2019-r.html and https://www.acer.europa.eu/pl/Gas/Framework%20guidelines_and_network%20codes/Strony/Harmonised-transmission-tariff-structures.aspx.

[111] https://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje-b/paliwa-gazowe/3779,Taryfy-opublikowane-w-2019-r.html

[112] https://en.gaz-system.pl/fileadmin/centrum_prasowe/Aktualnosci/2019/20190905_Taryfa/The_Tariff_for_Gas_Transmission_Services_No._13_-_searchable_version_.pdf.

[113] URE applies the following formula: $Tariff_{En/Ex} = Revenue_{En/Ex}/(Capacity_{En/Ex} + (1-80\%)*Capacity\text{-}UGS_{En/Ex})$. In the second step, URE calculates the tariff for storage points: $Storage\ tariff_{En/Ex} = (1-80\%)*Tariff_{En/Ex}$.

- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 96% - 4%;
- Entry-Exit split: 45% - 55%.

(8) The NRA applies ex-post discounts for standard capacity products for interruptible capacity. The Agency could not verify if the ex-post compensation is equal to three times the daily capacity product as required by Article 16(4) of the NC TAR.

(9) The NRA does not apply non-transmission services.

(10) The NRA does not apply commodity-based transmission tariffs.

(11) The TSO does not apply fixed payable prices.

(12) The reconciliation of the TSO: the rules will be set in Q1/Q2 of 2020. The year 2019 will be the first regulatory period to be reconciled and the balance of regulatory account will be included for the first time in 2021 tariff calculation.

15.2 How has URE addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(13) In the Report of the Agency[114] analysing the tariff consultation of Poland, the Agency recommended URE to '*provide all relevant information supporting the choice of the RPM, in particular consideration supporting the definition of the system as 'meshed'. This information should be supported by an assessment of the infrastructure projects that could be realised (for which FID has been taken) during the period for which the RPM is proposed'*.

- URE has provided some information regarding the choice of RPM, partially explaining the complexity of the system. The Agency considers that the decision does not sufficiently support the consideration of the network as meshed. For example, the Decision does not include information about the relevance of distance as a cost driver or a representation of the network supporting this analysis. The Agency considers that the transparency provided on the choice of the RPM is not sufficient. As a result, the requirements on the cost reflectivity and the cross-subsidisation of the RPM cannot be fully assessed.

(14) The Agency recommended URE to provide a consistent comparison with CWD methodology, including at least the result pre- and post-adjustments (also for the postage stamp RPM), and the comparison of tariffs for homogenous set of points also based on their geographical location in the network.

- URE has partially addressed this recommendation by providing a comparison with CWD methodology including the result pre- and post-adjustments[115]. The Agency notes that the analysis does not include a grouping of the CWD tariffs based on geographical zones and that the CAA for the CWD comparison has not been calculated.

[114] Agency Report available on: https://www.acer.europa.eu/pl/Gas/Framework%20guidelines_and_network%20codes/Strony/Harmonised-transmission-tariff-structures.aspx.

[115] See point 4.4. of Annex to the motivated decision.

(15) The Agency recommended URE to specify the time period for which the proposed RPM and parameters are set or at least to provide clarity on the conditions that would trigger a new consultation process.

- In the final decision the time period of RPM and parameters is set as from 1 January 2020 to 31 December 2022. The tariff period last one year according to the provisions of Energy Law Act. The consultation cycle is carried out every 3 years.

(16) The Agency recommended URE to set a fixed entry-exit split or provide a due justification on the conditions that would trigger a change of the split.

- URE has addressed these recommendations by setting fixed entry-exit split of 45% - 55% in the final decision.

(17) The Agency recommended URE to '*provide a more consistent evaluation of the impact of the proposed RPM on cross subsidisation'*.

- URE has addressed this recommendation by providing an evaluation of the impact of the proposed RPM on cross subsidisation in the final decision. The result of the CAA for the RPM (9.83%)[116], supports that there is no excessive cross-subsidisation between cross- and intra-system users.
- In addition, the Agency finds that the calculation of the CAA for the CWD pre- and post-adjustments is an important tool to better understand the relevance of the distance cost driver and of the proposed adjustments in the PL network.

(18) The table below summarises how the URE has taken into account the recommendations made by the Agency.

Table 33: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted	Applied at points other than IPs	NRA assessment
Final consultation											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(19) The Agency pointed out in the Report on the final consultation that the appropriateness of the RPM has not been sufficiently assessed. This remains an issue as the relevance of distance as a cost driver has not been sufficiently explained. As a result, the meshness of the network and the appropriateness of a postage stamp RPM remain unclear. For these reasons, the cells in Table 33 above, related to cost-reflectivity and cross-subsidisation, remain in yellow.

[116] Presented in item 4.5, page 9.

(20) Finally, the Agency notes that the applied tariffs are based on a capacity forecast. In the figures used by the NRA there is a mismatch between entry and exit points. This is particularly relevant for the case of storage points. The Agency has not assessed the reasons for such mismatch.

15.3 Checklist information Article 26(1)

Table 34: Checklist information Article 26(1)

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Not Assessed
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Incomplete	Not assessed
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	N.A.
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices*.	N.A.	N.A.

15.4 Other questions relevant to the applicable TSO tariffs

15.4.1 Is the NRA motivated decision translated to English?

(417) Yes.

15.4.2 Access to networks services set outside the motivated decision

(418) Yes, these services may embrace:

- A fee for connection to gas transmission network which takes into account real costs incurred for connecting an entity to the network, pursuant to Energy Law provisions;
- A charge for capacity overrun, pursuant to Regulation of the Minister of Energy of 15 March 2018 on detailed terms for structuring and calculation of tariffs and settlements in trade in gaseous fuels.

15.4.3 TSO revenues outside the scope of the NC TAR

(419) Non-regulated services: At the moment, URE is not able to list all non-regulated services. This issue will be investigated in the 2021 tariff proceedings. Non-regulated activity may embrace, for example, maintenance services performed by the TSO on the Yamal pipeline, construction machinery rental, the auction platform GSA and metrology laboratory services.

15.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(420) No.

15.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(421) No.

15.4.6 Expected date for the next NRA tariff motivated decision

(422) Expected date for the next NRA motivated decision: May 2022.

16. Country sheet: Poland West Europe transit gas pipeline

16.1 NRA motivated decision

(423) The President of URE has approved the gas transmission tariff for the network owned by System Gazociągów Tranzytowych EuRoPol GAZ S.A. (SGT) following the motivated decisions[117] published on 29 March 2019 for the following period: 1 January 2020 until 31 December 2022.

- Duration of the regulatory period: 1 calendar year;
- Duration of the tariff period: 1 calendar year.

(21) Entry into force of new tariff – the tariff was expected to be implemented on 1 January 2020, however the decision of the President of URE approving the tariff has been appealed and the court proceedings are pending. Pursuant to Article 47(2c)(2) of the Energy Law, in the event of ongoing proceedings against the tariff decision of the President of URE, the proceeding tariffs (including multipliers and rules of interruptible services settlements) shall apply until the of entry into force of the new tariff, due to this, in 2020, the 2017 tariff is applied[118].

(22) URE approved a 2020 tariff for the network owned by SGT on 30 May 2019[119].

(23) The allowed revenue for SGT (from 1 January 2020 till 31 December 2020 is PLN 931.94 million (EUR 219.28 million).

(24) URE applies a methodology based on capacity and distance for SGT's network. The detailed description of the reference price methodology approved for the network owned by SGT – operated by TSO is contained in point 3 of Annex to the URE Decision of 29 March 2019[120]. The methodology may be called a CWD methodology but it is not identical to the methodology described in Article 8 of the NC TAR. The main difference is that a revenue entry-exit split is calculated ex-post. The applied methodology ensures that a condition of equal level of unit costs of gas transmission related to its quantity and distance (expressed in PLN/MWh/100km) for the parties of historical contracts is met[121]. This condition is not met, when a CWD methodology described in NC TAR is applied. Reference prices are calculated on the basis of an entry/exit model using a reference price methodology based on the cost driver of the planned capacity and distance. Only capacity-based

[117] The NRA motivated decisions for transmission network owned by System Gazociągów Tranzytowych EuRoPol GAZ S.A. (SGT) is available at: https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/wyznaczanie-cen-referen/8186,Kodeks-sieci-dotyczacy-zharmonizowanych-struktur-taryf-przesylowych-dla-gazu.html.

Additional information in English is available at: https://en.gaz-system.pl/en/customer-zone/transit-yamal-pipeline/tgps-tariff/.

[118] The 2017 tariffs are approved in the decision of the President of ERO of 16 December 2016, ref. no: DRG.DRG-2.4212.57.2016.IRŚ and extended by the decision of 29 September 2017, ref. no. DRG-2.4212.53.2017.IRŚ.

[119] See the following link: http://bip.ure.gov.pl/download/3/11017/EUROPOL.pdf.

[120] The detailed description of the reference price methodology approved for the network owned by SGT – operated by TSO is contained in point 3 of the Annex to the motivated decision.

[121] See point 3.4. of the methodology.

tariffs related to contracted capacity (PLN/MWh/day/day or PLN/MWh/h) for entry and exit points to and from the transmission system are calculated.

(25) The following adjustments are applied to the RPM:

- Equalisation: Mallnow entry tariff equals Kondratki entry tariff;
- Rescaling is not applied;
- No discounts to points to and from storage facilities (no storage connected).

(26) The NC TAR foresees a CAA as laid out in Article 5. Article 5 of the NC TAR is not applicable to SGT's network due to the lack of intra-system points.

(27) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0% (contracted capacity is used for calculations);
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 0% - 100%. There are no intra-system points in the SGT network and therefore there is no obligation to assess the cost allocation referred to in Article 5 of the NC TAR (no intra-system revenues). Should the PWP exit point to the PL network be treated as an intra-system point, the intra-system cross-system split would be 6% - 94%;
- Entry-exit split: 51.51% - 48.49%.

(28) The NRA applies ex-post discounts for standard capacity products for interruptible capacity. The Agency could not verify if the ex-post compensation is equal to three times the daily capacity product as required by Article 16(4) of the NC TAR.

(29) The NRA does not apply non-transmission services.

(30) The NRA does not apply commodity-based transmission tariffs.

(31) The TSO does not apply fixed payable prices.

(32) The rules for the reconciliation of the TSO revenue will be set in Q1/Q2 of 2020.

16.2 How has URE addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(33) In the Report of the Agency[122] analysing the tariff consultation of Poland, the Agency provided the following recommendations:

- To provide a detailed description of all relevant steps of the methodology including the proposed modifications the CWD;
- To provide a comprehensive explanation of to how the objectives of the methodology relate to the proposed modifications of the CWD.

[122] Agency Report available on: https://www.acer.europa.eu/pl/Gas/Framework%20guidelines_and_network%20codes/Strony/Harmonised-transmission-tariff-structures.aspx

- To provide a more detailed justification of the proposed RPM against the criteria defined in Article 7 of the NC TAR, including an assessment of the consistency of the proposed modifications with the principles of cost-reflectivity and avoidance of undue cross-subsidisation;
- To specify the criteria used for the determination of the entry-exit split.

(34) The Agency notes that, following the remarks made in the Agency's Report, URE has applied and RPM that is different to the methodology in the final consultation. The Agency notes that is has not been possible to carry out a full assessment of the methodology as part of this Report. For this reason, it has not been possible to assess, if the recommendations made in the Report for the Polish final consultation are still applicable.

(35) The Agency remarks that there are a number of steps of the RPM described in the motivated decision that should be carefully assessed regarding the compliance with the NC TAR, in particular:

- First, the Agency notes that the RPM uses capacity and distance as cost drivers, although the methodology does is not exactly the same as the CWD methodology described in Article 8 of the NC TAR;
- Second, the applied RPM '*takes into account the condition of equal level of unit costs of gas transmission related to its quantity and distance (expressed in PLN/MWh/100km) for the parties to historical contracts*'[123]. The Agency understands that this condition is set following the existing historical contracts in the Yamal pipeline. The Agency has not been able to assess the compliance of this condition applied as part of the RPM[124];
- Third, the motivated decision refers to flow scenarios for the calculation of distance. The Agency could not verify the applied flow scenarios reflect the '*use of the transmission network according to likely supply and demand patterns*' as required by the definition of a flow scenario laid out in Article 3(20) of the NC TAR;
- Fourth, the motivated decision refers to an allocation of revenue to pairs of points. The motivated decision states that '*revenue* [is] *assigned to particular pairs of entry/exit points*'[125]. The Agency has not been able to assess how this calculation is performed;
- Fifth, the motivated decision applies equalisation to at the Mallnow entry point to set the tariff to the same level as the Kondratki entry tariff. The Agency has not been able to assess how this adjustment has been performed;
- Finally, the motivated decision applies a discount for virtual reverse flow at the Malnow IP, which does not follow from the list of discounts foreseen in Article 9 of the NC TAR or from the adjustments foreseen in Article 6(4) of the NC TAR. The Agency has not been able to assess the approach taken by the NRA for this tariff. URE has pointed out to the Agency that that this discount is in line with the provisions of Polish secondary legislation[126].

(36) For the sake of comparability, the Agency considers critical to understand the cost-reflectivity of the proposed RPM to calculate the CAA under the following assumptions:

[123] See page 4/13 of the motivated decision.

[124] The Agency notes that URE submitted an English version of the RPM calculation. This file could not be assessed as part of this assessment due to time constrains in the process.

[125] See page 6/13 of the motivated decision.

[126] The Regulation of the Minister of Energy of 15 March 2018 on detailed terms for structuring and calculation of tariffs and settlements in trade in gaseous fuels (Journal of Laws of 2018, item 640, as amended).

- Calculate the CAA for the applied RPM considering the exit to the PL network as an intra-system point.
- Calculate the CAA for the CWD methodology following the same assumption as in the previous point.

(37) In additions to the remarks made by the Agency on the RPM, The Agency recommended URE to *'specify the time period for which the proposed RPM and parameters are set or at least to provide evidence on the conditions that would trigger a new consultation process'*.

- URE has addressed this recommendation by defining the time period in the final decision. In the final decision, the time period of RPM and parameters was set as from 1 January 2020 to 31 December 2022[127].

(38) The Agency also recommended URE to *'publish a simplified tariff model allowing network users to change capacity booking assumptions at single points, and provide more clarity on the way in which the entry-exit split is set and affects reference price'*.

- The Agency has not been able to assess in detail the simplified tariff model, nor the complete calculation of the RPM (which was made available by URE).

(39) Finally, the Agency made a remark on the configuration of the Polish network, which is divided into two entry/exit systems. As a result of this, the supply of gas to the Polish market via the SGT pipeline is more expensive than through the other entries into the Polish national network. The difference is determined by the two additional tariffs that result from the use of the SGT pipeline. The Agency recommended the NRA to assess the costs and benefits of a merger of the two entry/exit systems.

- The Agency notes that the motivated decision does not include an assessment in this direction.

(40) The following additional elements included in the motivated decision differ from the public consultation.

- Description and charts of the systems are included in the final decision.

(41) The table below summarises how the URE has taken into account the recommendations made by the Agency.

Table 35: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidies	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted	Applied at points other than IPs	NRA assessment
Final consultation							n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision	The Agency could not assess compliance with Article 7						n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

[127] A description is contained on page 14 of motivated decision.

(42) The Agency notes that the NRA adapted the RPM following the remarks made in the Report to the PL final consultation. The Agency could not assess the compliance of the RPM which includes several modifications compared to the proposal made in the final consultation.

16.3 Checklist information Article 26(1)

Table 36: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Incomplete	The Agency has not been able to assess this due to the change in RPM.
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Incomplete	
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Incomplete	
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	No	
26(1)(e)(i)-(iv)	Fixed payable prices	N.A.	

16.4 Other questions relevant to the applicable TSO tariffs

16.4.1 Is the NRA motivated decision translated to English?

(424) Yes.

16.4.2 Access to networks services set outside the motivated decision

(425) No.

16.4.3 TSO revenues outside the scope of the NC TAR

(426) No.

16.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(427) No.

16.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(428) No.

16.4.6 Expected date for the next NRA tariff motivated decision

(429) Expected date for the next NRA motivated decision: May 2022.

17. Country sheet: Portugal

17.1 NRA motivated decision

(430) Energy Services Regulatory Authority ('ERSE') has set the gas transmission tariffs following the motivated decision[128] published on 18 March 2019 for the following period:

- Regulatory period: 1 January 2020 – 31 December 2023;
- Tariff period: 1 October 2019 – 30 September 2020;
- Entry into force of new tariffs: 1 October 2019.

(431) ERSE sets tariffs for the TSO (REN Gasodutos) operating in the Portuguese market zone.

(432) The allowed revenue for the period from 1 October 2019 to 30 September 2020 is EUR 73,191,63.

(433) ERSE applies a modified capacity weighted distance (modified CWD) RPM. The methodology is applied to a single TSO. The modified CWD methodology applies the same formulas as the CWD methodology defined in the NC TAR, but instead of applying them to the forecasted contracted capacity and distance, the formulas are applied to different cost drivers, denominated as effective capacity and effective distance.

(434) The following adjustments are applied to the RPM:

- Equalisation at the two interconnection points representing a single VIP;
- Equalisation of all exit points towards domestic consumption and distribution networks;
- Rescaling is applied following the remaining adjustments to ensure simultaneously the i) recovery of allowed revenues and the ii) preservation of the defined entry-exit split. Rescaling is multiplicative and is applied separately to all entry points and to all exit points;
- Discounts to points to and from storage facilities of 100%.

(435) The NC TAR foresees a CAA as laid out in Article 5 of the NC TAR. The result of the capacity CAA is 31.5%. The cost driver used for the calculation is forecasted contracted capacity. Since the value of the capacity CAA exceeds 10%, ERSE is required to present a justification. ERSE argues that:

- Firstly, the capacity CAA proved to be a very volatile indicator in the analysis for situations where cross-system use is residual, as is the case in Portugal. In its motivated decision ERSE has computed the capacity CAA also for the CWD methodology defined in Article 8 of the NC TAR, illustrating that the CAA for the CWD also exceeds the threshold in the Portuguese case;
- Secondly, Article 5 of the NC TAR limits the admissible cost drivers for the CAA to a restricted set of variables. The modified CWD methodology defines reference prices based on the cost drivers designated as effective capacity and effective distance. Therefore, the cost allocation assessment to be undertaken should include at least one of these cost drivers;
- Repeating the capacity CAA with effective capacity as cost driver the result is 7.0%, which is below the 10% threshold.

[128] NRA motivated decision available at https://www.erse.pt/atividade/consultas-publicas/consulta-p%C3%BAblica-n-%C2%BA-66/encerramento-erse-s-final-decision/.

(436) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0%;
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 99.96% - 0.04%;
- Entry - exit split: 28% - 72%.

(437) The NRA applies an ex-post discount for standard capacity products for interruptible capacity pursuant to Article 16(4) of the NC TAR.

(438) The NRA does not apply non-transmission services.

(439) The NRA does not apply commodity-based transmission tariffs.

(440) The TSO does not apply fixed payable prices.

(441) The reconciliation of the TSO is performed every 2 years. In the Gas Year 2019/20 ERSE has performed the reconciliation of the revenue for 2017 (last year with actual values). The regulatory account amounts to EUR 4.3 million (over-recovery). This represents 5.9% of the allowed revenue for tariff period 2019-2020. The reconciliation of the regulatory account is carried out based on the following principles:

- The revenues for a given year are recalculated, two years later with actual values and compared with the annual billing.
- The difference between the two values is the reconciliation (in the Portuguese Tariff Code this process is called revenues adjustment) that is included in TSO's allowed revenues to be recovered in each tariff period. No incentive mechanisms are applied.

17.2 How has ERSE addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(442) In the final consultation, ERSE proposed a modified CWD methodology which resulted in zero tariffs at exits to LNG, to storage facilities and to the VIP with Spain. Central to the analysis of the RPM was the justification provided by ERSE for the utilisation of an incremental cost approach, as this led to zero reference prices at specific exits[129]. The Agency notes that the motivated decision defines an RPM based on different cost drivers, namely effective capacity and effective distance. At the same time, the choice of the entry-exit split[130] (28/72) also differs compared to the final consultation (40/60). The RPM approved by ERSE in the motivated decision is based on the cost

[129] ERSE proposed to apply zero tariffs at points where the utilization was not expected to result in incremental costs in the future.

[130] The new split of 28/72 resulted from the same rational as applied in the final consultation, with the difference that a more recent time window was used to analyse the structure of the network investments. The new split also took into account comments received during the final consultation, indicating that the 40/60 split could result in adverse impacts since it would be very different from the status quo.

drivers of effective distance[131] and effective capacity[132]. The methodology lead to the following tariffs for tariff period 2019/2020:

- Entries: VIP (EUR 0.097 kWh/d/y), LNG (EUR 0.089 kWh/d/y), storage (EUR 0 kWh/d/y)
- Exits: VIP (EUR 0.021 kWh/d/y), LNG (EUR 0 kWh/d/y), storage (EUR 0 kWh/d/y), domestic exits (EUR 0.171 kWh/d/y)

(443) Regarding the tariff at the exit to the VIP, for tariff period 2019/2020, it is higher than the zero-tariff proposed in the final consultation. The Agency nevertheless, notes that the motivated decision does not provide a sufficient justification for the application of the applied cost drivers. In the Agency Report on the final consultation, the Agency noted that the zero tariff at the exit to the VIP could lead to a cross-subsidisation, whereby users entering the system through the LNG terminal and exiting at the VIP could be cross-subsidised by the rest of the system users. Such effect was not justified on the basis of reducing potential investments nor congestion as the data available at the ENTSOG TP[133] did not support the existence of congestion. These conclusions remain to be valid, as ERSE does not provide a sufficient justification for the need of using effective capacity and effective distance as cost drivers, nor the gains that are expected form its application.

(444) During the bilateral discussions before the publication of the Agency Report of the final consultation, ERSE clarified to the Agency that, should the dominant flow direction from ES to PT change at the VIP as a result of the use of zero capacity tariffs at the exit to the VIP, the RPM would have to be reconsidered. The Agency notes that this event occurred following the launch of the final consultation and it could possibly continue to happen as a result of the applicable tariffs.[134] This is because, as a result of the entry/exit split approved in the motivated decision, the tariffs for entering the system through the LNG terminal and exiting at the VIP are lower despite the non-application of zero tariffs at the VIP exit[135]. The Agency therefore understands that the concern of cross-subsidisation expressed in the Agency Report still holds.

(445) The remarks made by the Agency in its Report on the zero tariffs at the exit to LNG facilities are still valid. The motivated decision applies the cost drivers of effective capacity and effective distance to this exit point as well.

(446) The Agency recommends that ERSE provides a clear justification of the choice of cost drivers including the policy and regulatory objectives these tariffs intend to attain. The compliance of the

[131] Effective distance allows reflecting the investments in regional networks, which are only used by gas flows exiting to customers connected to the High Pressure (HP) network and to distribution networks. The effective distance factor serves the purpose of avoiding cross-subsidization of network assets only used by domestic exits.

[132] Effective capacity allows the identification of points whose physical utilization is closer to the technical capacity, allowing to increase the price signal at these points. The effective capacity factor aims at inducing efficient network utilization (i.e. cost-reflectivity) through scarcity signals.

[133] https://transparency.entsog.eu

[134] Considering data from ENTSOG TP on capacity allocation at the Iberian VIP, one day of net flows from PT to ES occurred for the first time during the last quarter of 2018, on 30 October 2018. Net flows from PT to ES were dominant during 2019 Q1 (72% of the days), while that incidence was below 15% in the remaining quarters of that year, reaching 0% in 2019 Q3. As of 9 March 2020, 62% of the days in 2020 Q1 have reached net flows in the direction PT-ES.

[135] Using data on allowed revenues and forecasted demand considered for tariff period 2019/2020, the total price for the transit route LNG terminal-VIP would be equal to EUR 0.128 kWh/d/y with the RPM proposed in the final consultation and equal to EUR 0.111 kWh/d/y with the RPM approved in the motivated decision.

proposed tariffs should be assessed in view of these objectives. In the absence of a sufficient justification, the Agency is unable to conclude whether the proposed tariffs are compliant. Such was the position of the Agency in the final consultation and continues to be in the motivated decision. This is particularly relevant in regards to exports of LNG entering Portugal and exiting to Spain and in regards to the potential competition between the Portuguese and Spanish LNG terminals. The Agency supports that both ERSE and CNMC coordinate the application of tariffs, for example by removing the common VIP. Such option could simplify the application of complex methodologies and foster market integration.

(447) In addition to the previous recommendations, the Agency recommended ERSE to indicate the degree of volatility of the CAA calculation.

- ERSE has addressed this recommendation by computing the capacity CAA both for the RPM and CWD. The results illustrate that a small difference in the allocation of revenues compared to the distribution of the cost driver across intra-system and cross-system uses can lead to a CAA result above the 10% threshold, indicating the existence of cross-subsidization. Moreover, the results indicate that the CWD performs worse compared to the modified CWD.

(448) The Agency recommended ERSE to clarify the methodology used for setting the flow charge.

- ERSE has addressed this recommendation by eliminating the flow charge from the transmission tariff.

(449) The Agency recommended ERSE to publish the missing transparency requirements pursuant to Article 30(2) of the NC TAR, in particular an explanation of the differences in the level of transmission tariffs for the tariff period for which the information is published (2019-2020) and for each tariff period within the remainder of the regulatory period (until 2023).

- ERSE has addressed this recommendation by including the missing information.

(450) The Agency recommended ERSE to ensure compliance with the NC TAR in what regards the application of additional tariff schemes to end-users.

- ERSE has addressed this recommendation by eliminating an additional tariff scheme denominated as ‘tariff option for short uses’.

(451) The table below summarises how ERSE has taken into account the recommendations made by the Agency.

Table 37: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation							n.a.	n.a.	n.a.	n.a.					n.a.	n.a.	n.a.	n.a.
Motivated decision							n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(452) The Agency recommended, in the Report on the Portuguese final consultation, to further substantiate the choice of cost drivers. The Agency notes that in the motivated decision, the applied cost drivers are not sufficiently justified. The issues initially raised in regards to the lack of an appropriate justification remain. In the absence of a sufficient justification, the Agency is unable to conclude whether the applied RPM is compliant with the requirements of cost reflectivity, cross-subsidisation and cross-border trade. Hence, the relevant cells are marked in yellow in Table 37 above.

17.3 Checklist information Article 26(1)

Table 38: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Partially	Partially. The justification of the applied cost drivers is not sufficient.
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	N.A.
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Partially	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

17.4 Other questions relevant to the applicable TSO tariffs

17.4.1 Is the NRA motivated decision translated to English?

(453) Yes.

17.4.2 Access to networks services set outside the motivated decision

(454) Connection charges for network users that want to connect to the transmission network are negotiated on a bilateral basis between the TSO and the network user. Due to the reduced number of connections at transmission level and due to network specificities, the connection charges are not pre-defined, but result from the bilateral negotiation.

17.4.3 TSO revenues outside the scope of the NC TAR

(455) No, all TSO revenues are recovered according to the rules of the NC TAR.

17.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(456) ERSE sets the allowed revenues for system operation, which is recovered through the 'tariff for the global use of the system' ('Tarifa de Uso Global do Sistema', in Portuguese). The activity of system operation is performed by the TSO.

(457) Information on the 'tariff for the global use of the system' for tariff period 2019-2020 can be found on the ERSE webpage (only in Portuguese). That tariff applies at domestic exits, i.e. it is not applied at the VIP, the LNG terminal or the storage facility.

17.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(458) No.

17.4.6 Expected date for the next NRA tariff motivated decision

(459) Expected date for the next NRA motivated decision: 31 May 2023.

18. Country sheet: Romania

18.1 NRA motivated decision

(460) Romanian Energy Regulatory Authority (ANRE) has set the gas transmission tariffs following the motivated decision[136] published on 18 March 2019 for the following period:

- Duration of the regulatory period: 1 October 2019 – 30 September 2024 (5 years);
- Duration of the tariff period: 1 October 2019 – 30 September 2020 (1 year);
- Entry into force of new tariffs: 1 October 2019.

(461) ANRE sets tariffs for the SNTGN Transgaz SA operating in Romania.

(462) The allowed revenue for the tariff period from 1 October 2019 to 30 September 2020 is EUR°255,665,724 (RON 1,214,407.44 million[137]).

(463) ANRE applies a postage stamp RPM. The methodology is applied separately to all the TSOs.

(464) The following adjustments are applied to the RPM:

- Rescaling applied to all points;
- Discounts to points to and from storage facilities. ANRE applies a 50% discount to capacity tariffs at entry/exit points from/to storage facilities.

(465) The NC TAR foresees a CAA as laid out in Article 5 of the NC TAR. The result of the CAA is 7.98%. The cost drivers used for the calculation is forecasted-contracted capacity.

(466) The applied RPM results in the following ratios:

- Capacity - commodity split: 85% - 15%;
- Transmission - non-transmission: All allowed revenue is allocated as transmission as the allowed revenue is set only for transmission and does not include any other activities;
- Intra-system - cross-system: 83.41%-16.59%;
- Entry-exit split: 50/50 (for capacity).

(467) The NRA applies ex-post discounts for standard capacity products for interruptible capacity.

(468) The NRA applies the following non-transmission services. The revenue for these services is not set by the NRA.

- Connection services as described in ANRE Order nr.71/2018, tariffs for connection services[138].

[136] NRA motivated decision available at : https://www.anre.ro/en/natural-gas/legislation/tarrifs-methodologies/methodologies.

Direct download of motivated decision English: https://www.anre.ro/download.php?f=hq19hw%3D%3D&t=vdeyut7dlcecrLbbvbY%3D.

[137] Conversion applied: 4.75 RON/EUR

[138] Described in ANRE Order no.82/2017: https://www.transgaz.ro/en/clients/transmission-system/access-national-transmission-system.

- Complementary transmission services according to ANRE Order nr. 172/2018, tariffs for complementary services[139].

(469) The NRA applies commodity-based transmission tariffs. The commodity component comprises variable costs and it is allocated in whole to the transmitted gas quantity. As of 1 October 2019, the fixed component of the regulated revenue increases by 5% each year, as compared to the current level of 70% used for setting capacity booking tariffs up to the level of 85% of the regulated revenue. The commodity-based transmission tariff is applied to all exit points for the utilisation of the system. The commodity charge is applied to the quantity measured at all exits points, which is considered to be the amount of gas transported in the system.

(470) The TSO does not apply fixed payable prices.

(471) The reconciliation of the TSO is performed every year. For regulatory year 2019-2020, the regulatory account amounts to EUR 35,344,933 over-recovery (RON 167,888.43 million – 4.75 RON/EUR). This represents 7.23% of the allowed (regulated) revenue for tariff period 1 October 2019 – 30 September 2020.

18.2 How has ANRE addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(472) In the Report of the Agency[140] analysing the tariff consultation of Romania, the Agency recommended the following:

(473) Firstly, that the reasoning supporting the choice of RPM is not sufficient. If the decision as referred to in Article 27(4) of the NC TAR were not to provide a better reasoning, the Agency would not consider such a Decision as complying with the requirement to take a motivated decision.

- The Agency notes that ANRE includes several elements that had not been included in the consultation, such a more detailed comparison with the CWD methodology, a description of the complexity of the network and some reference to the transit pipelines. The Agency notes that this information has not been reviewed as part of this assessment.

(474) Secondly, the Agency recommended ANRE to explain in the motivated decision how the costs related to the 'transit' pipelines are taken into account in the RPM. The Agency understood from the consultation from ANRE that the RPM would apply to all points of the Romanian network and that the costs of the 'transit' pipelines will not enter the RAB, and will not be allocated via the RPM (only the connection of the transit pipeline with the NTS would be included). The Agency

[139] The TSO is obliged by law to perform some activities related to gas transmission operation. For example: issuance of approvals regarding the gas transmission system (according to the legislation on the authorization of construction works execution); providing assistance to urban works in the gas transmission system safety and protection zone; changing of gas transmission system facilities by deviation (at the request of an end client or third party), etc. This is described in ANRE's decision no. 187/2019: https://www.transgaz.ro/en/clients/transmission-services/related-activities.

[140] Agency Report available at https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Romania.pdf.

recommended ANRE to explain who will pay for the assets that are not included in the RAB and how this is compliant with the NC TAR. The Agency will monitor how these pipelines are treated.

- ANRE has clarified that the pipelines between Isaccea II and III – Negru Vodă II and III are not connected with the Romanian NTS and are under the regulation of ANRE order nr. 34/2016 which rules the methodology for the allocation of transmission capacity and the setting of tariffs. These pipelines are still under the historical commercial contracts signed with Gazprom Export.
- Related to the Isaccea 1 - Negru Voda 1 pipelines, ANRE has clarified to the Agency that the impact applying the RPM to these pipelines is low. The costs associated with this pipeline represent less than 5% of the revenue allowed for the natural gas transmission activity and its additional capacity is of almost 10% of NTS capacity without the transit pipelines. As for the use of this pipeline, ANRE has already monitored the quantities and associated capacities and found out a constant degree of utilization of the pipeline over the past 3 years.

(475) Thirdly, the Agency recommended ANRE to elaborate in the final decision on the way the 'flows' are determined. The Agency noted that ANRE intended decrease the flow-based charge gradually from starting levels of 40% of the allowed revenue (in 2017) down to 15%. The decrease would be based on a 5% reduction per year. The Agency considers this gradual decrease sensible and the final share of 15% appropriate.

- The Agency notes that the motivated decision clarifies that flows are measured using measurements at exit points.

(476) Fourthly, the Agency recommended ANRE to include in the final decision the modality in which revenue for non-transmission services are reconciled. ANRE has notified the Agency that the revenue related to these services is separated from those of transmission services and covered by tariffs calculated according to the ANRE decisions 71/2018 and 172/2018. For these activities ANRE does not approve a specific revenue. ANRE explained to the Agency that the reconciliation is not applicable to these services.

- Regarding the non-transmission tariff for a connection service. The Agency has understood that the costs of such connections are not known in advanced and that therefore cannot be established ex-ante. No new assets from new connections are included in RAB of transmission services[141].
- Regarding the complementary transmission services, the Agency notes that tariffs are available at the TSO's website[142].

(477) Fifthly, the Agency suggests ANRE to use the following units in the simplified tariff model: RON/MWh for the commodity charge, but use a tariff expressed in RON/MWh/h/day, RON/MWh/h/month, RON/MWh/h/quarter and RON/MWh/h/year for the capacity charges

- The Agency acknowledges that the motivated decision includes tariffs for yearly capacity products in the recommended units.

[141] See the following link: https://www.transgaz.ro/en/clients/transmission-system/access-national-transmission-system.

[142] See the following link: https://www.transgaz.ro/en/clients/transmission-services/related-activities.

(478) Sixthly, the Agency recommended ANRE to include the information in the simplified model in English. The Agency notes that ANRE has translated to English the simplified model[143]. included in the motivated decision.

(479) Finally, the Agency remarks that it could not check the compliance of the calculation of cross-system flows as an input to the CAA[144]. This calculation should follow the description in Article 5(a)-(c) of the NC TAR.

(480) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 39: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recovereis	Based on historical/forecasted flows	Applied at points other thatn IPs	NRA assessment
Final consultation															n.a.	n.a.	n.a.	n.a.
Motivated decision															n.a.	n.a.	n.a.	n.a.

(481) The Agency acknowledges the improvement in terms of justifications included in the motivated decision compared to the final consultation. At the same time, the Agency has not been able to check whether the additional justifications provided fully meet the recommendations made in the Agency's Report. In addition, the Agency has not been able to assess the status and regulation applied to Isaccea II and III - Negru Vodă II and III.

18.3 Checklist information Article 26(1)

Table 40: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Incomplete	Improved, but incomplete
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Incomplete	Improved, but incomplete
26(1)(a)(ii)	Adjustments pursuant to Article 9*	Yes	Yes

[143] See link: https://www.transgaz.ro/sites/default/files/uploads/users/admin/Tarif/15.Simplified%20tariff%20model.xlsx

[144] Page 13 of the motivated decision states that '*The inter-systems' revenue related to the capacity booking products is made up of the revenue estimated to be achieved from the capacity booking products through the transit pipeline Isaccea 1 – Negru Vodă 1, as well as from the revenue estimated to be achieved from the estimated gas exports through the IP Csanádpalota (the revenue estimated to the achieved from capacity booking in the IP Csanádpalota in the RO-HU direction and the revenue estimated to be achieved from booking equivalent capacity in the domestic entry points from production)*'.

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)(iv)	Results, components and details of the cost allocation assessment*	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	Improved, but incomplete
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)*	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)*	Incomplete	Incomplete
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices*.	n.a.	n.a.

18.4 Other questions relevant to the applicable TSO tariffs

18.4.1 Is the NRA motivated decision translated to English?

(482) Yes.

18.4.2 Access to networks services set outside the motivated decision

(483) Not applicable.

18.4.3 TSO revenues outside the scope of the NC TAR

(484) Not applicable.

18.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(485) Not applicable.

18.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(486) Not applicable.

18.4.6 Expected date for the next NRA tariff motivated decision

(487) Expected date for the next NRA motivated decision: 2024.

19. Country sheet: Slovenia

19.1 NRA motivated decision

(488) The Energy Agency ('AGEN') has set the gas transmission tariffs following the motivated decision[145] published on 29 March 2019 for the following period:

- Duration of the regulatory period: 1 January 2020 – 31 December 2021;
- Duration of the tariff period: 1 January 2020 – 31 December 2020;
- Entry into force of new tariffs: 1 January 2020.

(489) The AGEN approves tariffs for the company Plinovodi d.o.o. operating in the Slovenia market zone.

(490) The allowed revenue for the calendar year 2020 is EUR 34.7 million.

(491) The AGEN applies matrix RPM. Reference prices based on the matrix methodology using as costs drivers capacity, distance and costs (based on the replacement value and the peak load of the assets)

(492) The following adjustments are applied to the RPM:

- Domestic exits are equalised;
- Rescaling: The Energy Agency adjusted the tariffs by multiplying the reference prices at all entry and exit points with the constant 0.83[146];
- Benchmarking[147] at Šempeter pri Gorici, at its IP exit to Italy, since there two competing routes that reach Italy: one AT-IT and the other AT-SI-IT. The cost-based price derived from the RPM would not be competitive and a 10% discount is applied on the exit tariff derived from the RPM.

(493) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA for reference price determined on the basis of matrix methodology is 81.78% for reference price after the adjustment

[145] NRA motivated decision available at https://www.agen-rs.si/web/en/network-charge2.

[146] With rescaling the allowed revenue to be recovered amounts EUR 34.7 million. This aims at ensuring that the revenue from capacity-based transmission tariffs for 2020 equals the regulatory framework for 2019. In the motivated decision this adjustment is described on pages 7, 8.

[147] In motivated decision this adjustment is described on pages 8, 9.

AGEN argues that there are two routes in competition: AT-SI-IT and AT-IT. The cost of booking of the transfer route Austria-Slovenia-Italy in case of an annual capacity booking on 1 January 2019 amounted to EUR 0.4526 kWh/day, and the booking of Austria-Italy transfer route EUR 0.3324 kWh/day. The NRA argues that the tariffs derived using the RPM the costs of booking the transfer route AT-SI-IT would be EUR 1.0795 kWh/day, which would not be competitive.

The reference price for the exit point Šempeter pri Gorici would result in even fewer capacity bookings. The exit point Šempeter pri Gorici is located on the transmission route Austria-Slovenia-Italy; the competing direction is Austria-Italy.

The cost of booking of the transfer route Austria-Slovenia-Italy in case of an annual capacity booking on 1 January 2019 amounted to EUR 0.4526 kWh/day, and the booking of Austria-Italy transfer route EUR 0.3324 kWh/day. If we enforce reference prices II, the costs of booking the transfer route Austria–Slovenia-Italy would be EUR 1.0795 kWh/day indicating that this route is highly non-competitive.

The NRA decided that the tariff applicable at the exit point Šempeter pri Gorici should approximate to the current value and not be replaced in the upcoming tariff period by the tariff derived using the RPM. For this purpose, it sets a discount of 10% over the exit tariff derived using the RPM (EUR 0.09220 kWh/day). This results in a tariff of EUR 0.08298 per kWh/day.

and benchmarking. CAA before adjustment and benchmarking is 56.94%. The cost drivers used for the calculation are forecasted-contracted capacity and distance.

(494) The applied RPM results in the following ratios:

- Capacity - commodity split: 95% - 5%;
- Transmission - non-transmission: 95% - 5%;
- Intra-system - cross-system: 94% - 6%;
- Entry-exit split: 16% - 84%.

(495) The NRA applies ex-post discounts for standard capacity products for interruptible capacity. The amount of daily discount for an individual daily interruption is equal to the value of three-day amount of capacity booking.

(496) The NRA applies the following non-transmission services:

- Metering services: The transmission system user, who books the exit capacity, shall be charged for network charges for metering in the form a metering tariff item (CM) and by taking into account the size of metering device and the number of reduction steps. The allowed revenue to be covered by tariff for metering amounts to EUR 358,713 and represents 0.9% of the allowed revenue.
- Other services presenting non-transmission services: The gas TSO in the context of the provision of service of general economic interest may also charge transmission system users other services, which represent non-transmission services. Tariffs for non-transmission services shall be determined by taking into account the actual costs of these services. In the process of determining the regulatory framework, the gas TSO shall also set out the individual tariff items for other services to which the AGEN gives its approval[148]:
  .i. Tariff for Disconnection;
  .ii. Tariff for Control of metering devices;
  .iii. Tariff for Use of machine or device;
  .iv. Tariff for Virtual point service.

(497) The NRA applies commodity-based transmission tariffs covering the natural gas consumption for the gas TSO own use for the conditioning of natural gas in metering regulating stations and other stations and heating of these facilities, and for compressors stations of Kidričevo and Ajdovščina.

- The allowed revenue to be covered by the own-use tariff amounts to EUR 1.7 million and represents 4.4% of the allowed revenue.
- The flow-based tariff is applied to each exit point, based on the measured quantities at exit points.

(498) The TSO does not apply fixed payable prices.

[148] See link: https://www.agen-rs.si/documents/54870/83474/Annex-3---List-of-other-services-presenting-non-transmission-services/b1feea19-f231-408a-92c8-cf180c2c727f.

(499) The reconciliation of the TSO is performed every regulatory period[149]. As of 2020, the regulatory account amounts to EUR 7.3 million (under-recovery). This represents 20% of the allowed or target revenue for 2020.

19.2 How has AGEN addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(500) In the Report of the Agency[150] analysing the tariff consultation of Slovenia, the Agency provided several recommendations to the AGEN. The main concern of the Agency was that the proposed RPM in the consultation RPM might aim at incentivising cross-border competition by lowering tariffs at IPs and allocating higher costs at domestic exits. This concern resulted from the lack of clarity in the description of the proposed cost drivers and from the high CAA result, which suggest the existence of cross-subsidies between intra-system and cross-system users. The Agency provides a follow up on the following recommendations made to AGEN.

(501) First, the RPM is based on a complex methodology which the Agency has not been able to assess in this review. In its Report on the Slovenian tariff consultation, the Agency recommended AGEN to i) clarify the criteria used to define network areas, ii) the methodology and assumptions used to calculate network cost factors, and iii) the use of the cost drivers of capacity and distance. The Agency cannot verify if the motivated decision has addressed these recommendations[151].

(502) Second, the Agency recommended AGEN to apply benchmarking in case any IPs were in competition with other IPs. AGEN has applied a benchmarking adjustment at the IP with Italy in line with the guidance from the Agency.

(503) Third, the Agency recommended that AGEN provide a justification of the entry/exit split. The Agency has not been able to assess the justification provided by the NRA.

(504) Fourth, the result of the CAA is 81.78%, which is higher than 10% and therefore requires a justification pursuant to Article 5(6) of the NC TAR. The Agency has not been able to assess the justification provided in the motivated decision.

(505) Fifth, the Agency recommended that AGEN improve the tariff model, providing the necessary information to reproduce and forecast tariffs accurately:

- AGEN has provided an improved tariff model as excel model[152]. The simplified tariff model represents the matrix model for the determination of network charge tariffs. The simplified tariff model includes all data necessary to calculate entry and exit tariffs for individual entry or exit points on the basis of the entry of an average daily booking in an individual entry or exit point.

[149] The reconciliation of the regulatory account is carried out based the Article 255 in Energy Act. The gas system operator shall identify the deviations from the regulatory framework for single years, shown as surplus or deficit from network charges, and shall disclose the established deviations in the notes to the accounts.

[150] Agency Report available at https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20Analysis%20of%20the%20consultation%20document%20for%20Slovenia.pdf.

[151] The Agency notes that the clustering of points is performed base on the criteria of points in the vicinity of each other (following Article 3(19).

[152] See Annex 1 at: https://www.agen-rs.si/web/en/network-charge2.

With simplified model is also possible to change expected target revenue and calculate new entry and exit tariffs.

(506) Sixth, the Agency recommended AGEN to provide a clarification on the alternative reconciliation mechanisms that were envisaged in the tariff consultation.

- AGEN has clarified that the only reconciliation to take carry out, in addition to the standard under- or over-recovery of tariffs is based on the existing deficit of EUR 7.3 million.

(507) Seventh, the Agency pointed out that the proposed differentiated tariffs to exit points based on capacity are not compliant with the NC TAR.

- AGEN has decided to reduce gradually the exit tariff item for an individual customer group and to phase out these rates within five years and thereby gradually move towards a new methodology of charging transmission tariffs[153]. The Agency notes that these schemes are not compliant with the NC TAR, as initially pointed out in the Agency Report on the Slovenian tariff consultation.

(508) The table below summarises how the NRA has taken into account the recommendations made by the Agency.

Table 41: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over - recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation															n.a.	n.a.	n.a.	n.a.
Motivated decision		Not assessed													n.a.	n.a.	n.a.	n.a.

(509) The Agency notes that AGEN has addressed a number of recommendations made on the Report on the Slovene tariff consultation. At the same time, the Agency has not been able to assess a number of choices related to the design of the RPM, which relate to the compliance with the principles of cost-reflectivity, cross-subsidisation and cross-border trade. For this reason, the relevant cells are marked as 'not assessed' in Table 41 above.

[153] The above-mentioned decision of the AGEN is also implemented by the Act on the methodology for determining network charges for the natural gas transmission system. During the adoption of this act (in public hearing), the AGEN received comments from stakeholders objecting to the termination of customer groups and considering that such differences between users of the transmission system and users of the distribution system will increase and that this will introduce further discriminatory conditions in the natural gas market. The AGEN agrees in principle with the stakeholders, while at the same time noting that the current arrangements (several customer groups) are not in line with NC TAR, which requires the same reference price at all exit points within Slovenia.

19.3 Checklist information Article 26(1)

Table 42: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Incomplete description of the cost drivers.	Incomplete description of the cost drivers.
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Incomplete description of the cost drivers.	Incomplete description of the cost drivers.
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Partially. Insufficient justification.	Partially (no justification available in English.
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	Not available in English
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	Yes	Yes
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Yes	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	No	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

19.4 Other questions relevant to the applicable TSO tariffs

19.4.1 Is the NRA motivated decision translated to English?

(510) Yes.

19.4.2 Access to networks services set outside the motivated decision

(511) No.

19.4.3 TSO revenues outside the scope of the NC TAR

(512) No.

19.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(513) No.

19.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(514) No.

19.4.6 Expected date for the next NRA tariff motivated decision

(515) Expected date for the next NRA motivated decision: end 2021.

20. Country sheet: Slovakia

20.1 NRA motivated decision

(516) Slovak regulatory office for network industries ('ÚRSO') has set the gas transmission tariffs following the motivated decision[154] published on 29 May 2019 for the regulatory period commencing on 1 January 2022. Duration of the upcoming regulatory period is unknown at the moment (current regulatory period lasts 5 years).

(517) ÚRSO sets tariffs for Eustream, a. s. operating in Slovakia.

(518) The target revenue for the first tariff period of upcoming regulatory period from 1 January 2022 to 31 December 2022 is EUR 768.1 million. It is not yet clear how long the regulatory period will be. A decision is expected to be approved in Q1 2021.

(519) ÚRSO applies in decision postage stamp RPM. However, the RPM is not applied to the following cases (see the recommendations of the Agency below):

- Points with Third Countries (i.e. Ukraine);
- Domestic exit points;
- Revenue associated with fixed contracts at specific points of the network.

(520) ÚRSO applies a benchmark adjustment to the tariffs derived from the RPM. The benchmark is applied comparing tariffs applicable in the following MSs: AT, CZ, DE, HU, IT and PL.

(521) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is 0.3%. The cost drivers used for the calculation are forecasted-contracted capacity. At the time of writing, the calculation has not been reviewed by the Agency, as the Decision is not published in English.

(522) The applied RPM results in the following ratios:

- Capacity - commodity split: 71.9% - 28.1 %;
- Transmission - non-transmission: 100% - 0%;
- Intra-system - cross-system: 8.1% - 91.9%;
- Entry-exit split: 38% - 62%.

(523) ÚRSO applies in decision ex-ante discounts for standard capacity products for interruptible capacity.

(524) ÚRSO does not apply in decision non-transmission services.

(525) ÚRSO applies in decision commodity-based transmission tariffs.

[154] NRA motivated decision available at http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/0/4BA72BEF1317C270C1258409002B0E9E/$FILE/0040_2019_P_eustream.pdf.

- Flow-based charge is applied: as 0.85% of transmitted gas at entry points and 0.85% of transmitted gas at exit points (1.7% of the transmitted flows). Commodity tariff is paid in kind or in monetary for, considering the actual gas prices.
  .i. Share of revenue to be recovered by these tariffs: 27.6 %;
  .ii. Points to which this tariff is applied: entry and exit points.
- Complementary revenue recovery charge:
  .i. Share of revenue to be recovered by these tariffs: 0.5%;
  .ii. Its purpose: managing revenuer under- or over- recovery;
  .iii. Points to which this tariff applied to: Intra system points;
  .iv. Has the NRA provided the assessment required by Article 4(3)(b)(iv)? Yes - CAA.

(526) Eustream applies fixed payable prices. Tariff that is applicable since the conclusion of the contract is valid for the entire duration of the contract.

(527) The reconciliation of the TSO: Eustream is regulated under price cap and no reconciliation takes place. Nonetheless, complementary revenue recovery is applied.

20.2 How has ÚRSO addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(528) In the Report of the Agency[155] analysing the tariff consultation of Slovakia, the Agency recommended URSO to review Eustream's costs and establish the target revenue, or the methodology to set it, based '*on efficiently incurred costs*', as required by Article 13 of Regulation (EC) No 715/2009. This decision should be adequately justified pursuant to Article 41(16) of Directive 2009/73/EC5.

- ÚRSO has communicated to the Agency that the NRA motivated decision has been published[156]. However, the Agency has not been able to assess the document as there is no translation available in English at the time of writing this Report.

(529) The Agency recommended that ÚRSO or Eustream launch a new consultation process with the aim of setting tariffs for the tariff period 2022-2026.

- ÚRSO has not addressed this recommendation yet. The NRA considers that the consultation can be launched well in advance of the entry into force of tariffs (2022) and that there isn´t sufficient visibility ahead on the input parameters to the RPM. The Agency recommends the NRA to repeat the consultation once sufficient visibility over the input parameters to the RPM is available.

(530) The Agency recommended ÚRSO to derive tariffs to all points of the network using the RPM. The Agency notes, following the information provided by the NRA, that the motivated decision derives tariffs to domestic points and to points with third countries using the RPM. However due to limited applicability of the NC TAR at non-IPs according to Article 2 of the NC TAR, the level of the final tariffs at these points is kept at the sole discretion of the NRA ÚRSO. Such obligation will be

[155] Agency Report available at http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency report - Analysis of the consultation document for Slovakia.pdf.

[156] See section "Výpočet referenčných cien" in the motivated decision (Calculation of reference prices).

respected on the decision of ÚRSO on the level of final tariffs at non-IPs. The Agency pointed this out in paragraphs (37) to (44) of the Report analysing the tariff consultation of Slovakia. The approach adopted in the motivated decision is not compliant with the NC TAR.

(531) The Agency recommended ÚRSO to follow a series of steps in the application of benchmarking. The Agency understands that ÚRSO has followed some of these steps, for example the limitation of the selected competing routes[157]. Nevertheless, the Agency is not able to fully assess approach adopted as the motivated decision published by ÚRSO is not available in English at the time of writing. At the same time, the Agency notes that benchmarking should be applied as part of a potential new consultation which would be triggered by change of input economic parameters.

(532) The Agency recommended ÚRSO to clarify how the RPM is calculated to avoid that the risk associated with the fixed payable prices from existing long-term contracts is transferred to reference prices. The use of fixed payable prices should also be clarified with regard to the calculation of the CAA and in the comparison with the CWD methodology. The Agency cannot assess this aspect in the motivated decision as the document has not been published in English.

(533) The Agency recommended ÚRSO to calculate the CAA pre-and post-benchmarking, and provide clarity on how the fixed prices and the tariffs for domestic points are taken into account in this calculation. The Agency cannot assess this aspect in the motivated decision, as the document has not been published in English.

(534) The Agency recommended ÚRSO to clarify the share of forecasted bookings that fixed payable prices contracts make up for. The Agency cannot assess this aspect in the relevant section of the motivated decision, as the document has not been published in English[158]. In addition, the Agency could not assess, if the TSO has sent the contracts or the information on capacity bookings to the NRA as required by Article 35(3) of the NC TAR before 6 May 2017.

(535) The Agency recommended ÚRSO to assess whether or not there is significant volume risk related particularly to transports across the entry/exit system. The NRA has included additional information on this point in the motivated decision[159]. The Agency cannot assess this aspect in the motivated decision, as the document has not been published in English.

(536) The Agency recommended ÚRSO to assess the commodity-based transmission tariffs and determine, if they meet the criteria set out in Article 4(3) of the NC TAR. The Agency cannot assess this aspect in the motivated decision, as the document has not been published only in English. At the same time, the Agency raises a concern about the proposed flow-based charge exceeding the costs related to the quantity of gas flows transported in the network for which this tariff is intended

[157] For reference see section 'K 4. bodu výroku tohto rozhodnutia' (Justification to point no. 4 of NRA motivated decision) of NRA motivated decision.

[158] ÚRSO has addressed this recommendation in the motivated decision under section '11.4 podľa čl. 26 ods. 1 písm. e) bod iv) TAR NC – proces ponuky pevnej ceny a plávajúcej splatnej ceny'.

[159] See section 'Výpočet referenčných cien' (Calculation of reference prices). The NRA argues that it has addressed this recommendation by applying target revenue component "VRP" to tariffs reflecting the significant volume risk related to transport across the entry-exit system.

according to Article 3(a)(ii) of the NC TAR. The Agency notes that this charge was deemed incompliant in the Report on the final consultation.

(537) The Agency recommended ÚRSO to clarify if the service for title transfer will continue to be offered by the TSO. Should this be the case, it should be clarified how the service is paid for and whether the service qualifies as transmission service or non-transmission service. If the service qualifies as transmission service, the NRA should include it in the RPM, and avoid recovery of its costs via separate charges.

- ÚRSO has addressed this recommendation[160]. The TSO is offering Title transfer service in current regulatory period and considering all characteristics this Title transfer service meets definition of non-transmission service. For the regulatory period commencing from 2022 there is a running analysis, in what form the Title transfer service is supposed to be changed. After final proposal by TSO on the form of the Title transfer service, the calculation of the fee will be subject of the consultation process.

(538) The Agency notes that ÚRSO proposes a complementary revenue recovery charge. The Agency has not been able to assess the charge, as the motivated decision is not translated to English. At the same time, the Agency notes that this charge was deemed incompliant in the Report on the final consultation.

(539) The table below summarises how the NRA ÚRSO has taken into account the recommendations made by the Agency.

Table 43: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7					Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation						n.a.	n.a.	n.a.	n.a.				n.a.				
Motivated decision						n.a.	n.a.	n.a.	n.a.	Could not be assessed				Could not be assessed			

(540) The Agency notes that as NRA motivated decision is not translated to English the Agency did not analyse the compliance of the proposed RPM with regards to the requirements in Article 7 of the NC TAR. The Agency did not verify certain aspects which were essential for the calculation of the RPM. For those reasons, the table above was filled in by blank marks.

(541) The Agency has not been able to fully assess the Slovak motivated decision as it is not translated to English. For this reason, the Agency has not been able to verify a number of elements that were

[160] See the motivated decision, section 'K bodu 8.2 výroku tohto rozhodnutia'.

proposed in the consultation which were incompliant with the NC TAR and with Directive 2009/73/EC. In particular:

- The revenue of the TSO was not based on an NRA decision;
- The benchmarking adjustment was not compliant;
- The Agency could assess the interactions between the RPM and the applicable fixed prices, which limited the application of the RPM;
- The proposed flow-based charge was incompliant with the NC TAR;
- The proposed CRRC according to Article 4(3)(b) was incompliant with the NC TAR.

(542) At the same time, the Agency notes that in the motivated decision, the scope of application of the RPM is limited as the methodology is not applied to third countries nor to domestic points. The RPM is therefore not compliant with the NC TAR. For these reasons, the relevant cells of Table 43 above are marked in red.

20.3 Checklist information Article 26(1)

Table 44: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Incomplete	Cannot be assessed in the absence of an English translation of the motivated decision
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Incomplete	
26(1)(a)(ii)	Adjustments pursuant to Article 9	Incomplete	
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Incomplete	
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Incomplete	
26(1)(a)(vi)	Comparison against the CWD methodology	Incomplete	
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Incomplete	
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	N.A.	
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Incomplete	
26(1)(e)(i)-(iv)	Fixed payable prices.	Incomplete	

20.4 Other questions relevant to the applicable TSO tariffs

20.4.1 Is the NRA motivated decision translated to English?

(543) No.

20.4.2 Access to networks services set outside the motivated decision

(544) No.

20.4.3 TSO revenues outside the scope of the NC TAR

(545) Yes, for example maintenance services offered to other natural gas market participants in case the internal sources of Eustream are not fully utilized.

20.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(546) No.

20.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(547) No.

20.4.6 Expected date for the next NRA tariff motivated decision

(548) Currently there is no decision to repeat the final consultation. ÚRSO will repeat of the consultation before the start of the upcoming regulatory period in case of change of input economic parameters and after deciding on the duration of the upcoming regulatory period.

21. Country sheet: Sweden

21.1 NRA motivated decision

(549) Swedish Energy Markets Inspectorate ('Ei') has set the gas transmission tariffs following the motivated decision[161] published on 13 December 2018 for the following period:

- Regulatory periods: 2015-2018 and 2019-2022;
- Tariff period: 1 October 2018 – 30 September 2022;
- Entry into force 1 October 2018.

(550) Ei sets tariffs for the Swedegas AB (Swedegas) operating in Sweden.

(551) The allowed revenue for tariff period from 2019 to 2022 is SEK 1,954 million[162]. Three months of the tariff period fall within the regulatory period 2015-2018[163].

(552) Ei applies a postage stamp RPM. The methodology is applied to the TSO.

(553) No adjustments are applied to the RPM.

(554) The NC TAR foresees a CAA as laid out in Article 5. The result of the CAA is infinity[164] as there is no transit flows in Sweden. . The cost drivers used for the calculation are forecasted-contracted capacity and distance.

(555) The applied RPM results in the following ratios:

- Capacity - commodity split: 100% - 0%;
- Transmission - non-transmission: 87% - 13%;
- Intra-system - cross-system: 100% - 0%.

(556) Ei does not apply discounts for standard capacity products for interruptible capacity:

(557) Ei applies the following non-transmission services:

- Pressure reduction charge[165]: When the gas is transferred from the transmission network to the DSOs or directly connected end consumers, the gas pressure often has to be lowered. The decrease in pressure leads to a decrease in temperature of the gas. To prevent the temperature decreasing to levels that would damage the equipment, the gas must be heated. The heating equipment used is boilers, piping and heat exchangers. Additionally, gas generates the heat

[161] NRA motivated decision available at: https://acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Documents/2018-102372%20-%20Beslut_EN.pdf.

[162] Conversion rate: 1 Euro equals 11,01 Swedish Krona (5 April 2020).

[163] The allowed revenue was SEK 531 million for 2018.

[164] The Agency found that the mathematical formula led to indeterminate result, not to infinity. In any case, the conclusion is the same: since there no cross-border flows, the CAA statistic is irrelevant.

[165] The charge is equal to SEK 5,245 times the number of reduction steps.

provided. The pressure reduction service aims at covering these costs and together with administrative charge is 2% of the total allowed revenue.

- Administrative charge[166]: The administrative charge is charged for all transmission costumers. It is proportional to the number of connection points to reflect the extra administrative work required at each connection point which cannot be attributed to capacity and distance directly.
- Extra area capacity: The charge extra area capacity is equal to 1.5% of the maximum daily withdrawal per month multiplied by the number of connection points, multiplied by a charge of SEK 218.
- Capacity allocation fee for summer and winter periods: The basis on which this fee is calculated is produced by multiplying the number of connection points by the ratio of maximum capacity requirement to the number of connection points. The resulting figure is then multiplied by a charge of SEK 704 for the summer period and SEK 2,816 for the winter period. The charge confers the right to book extra capacity when needed.
- Capacity allocation fee for daily capacity products denotes a fixed annual charge for the right to book additional capacity for specific 24-hour periods. The potential capacity is limited to a given maximum capacity requirement at the start of the tariff period. The basis on which this fee is calculated is obtained by multiplying the maximum capacity requirement by SEK 16.

(558) The NRA does not apply commodity-based transmission tariffs.

(559) The TSO does not apply fixed payable prices.

(560) The reconciliation of the TSO is performed every fourth year after the regulatory period. As of 2019, the regulatory account amounts are not yet set, but are expected to be decided in the beginning of 2020[167]. The reconciliation of the regulatory account is carried out based on the principle: allowed revenue minus actual revenues.

21.2 How has Ei addressed with the recommendations made by the Agency in the Report on the final tariff consultation?

(561) In the Report of the Agency[168] analysing the tariff consultation of Sweden, the Agency recommended Ei to provide relevant evidence to justify that the postage stamp methodology provides a reasonable level of cost-reflectivity. If such evidence could not be provided, the Agency recommends that the NRA switch to a distance-related methodology.

- The NRA has addressed this recommendation in the motivated decision by analysing and providing evidence to justify that the postage stamp methodology is more cost-reflective than capacity weighted distance method. The analysis is based on the criteria of marginal cost and

[166] The charge is equal to SEK 158,800 times the number of delivery points

[167] The amount of the regulatory account for the current regulatory period has not yet been decided. This is because the decision regarding the allowed revenue 2015-2018 have been subject to court ruling by Swedish Administrative court, after which Ei had to make new decisions at the end of 2018. The next step in the process is to make a decision regarding the surplus to take into the next regulatory period 2019-2022, this will approximately be decided in Q2 2020.

[168] Agency Report available at: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20Analysis%20of%20the%20Consultation%20Document%20%20on%20the%20Gas%20Trasmission%20Tariff%20Structure%20for%20Sweden.pdf.

stand-alone cost and is assuming the networks divisibility basis on distance and full divisibility. The customer/stakeholder are defined at an aggregate level through three geographical clusters. Each cluster's marginal costs and stand-alone costs are analysed with respect to trunk lines and branch lines ('regional lines'). The NRA's analysis shows that both reference price methodologies lead to some cross-subsidisation. But the cross-subsidisation will become more extensive using the CWD methodology than using the postage stamp methodology[169].

- The Agency has not been able to assess this justification.

(562) The Agency recommended Ei to provide relevant evidence, including a quantitative assessment, explaining why recovering the full allowed revenue, instead of 85%, would endanger the gas market.

- The NRA has addressed this recommendation by demanding an explanation from the TSO. Swedegas' assessment is that higher tariffs would counteract a successful maintenance of volumes[170]. Not recovering the full allowed revenue means that the allowed revenue regulation can be assessed giving room for too high allowed revenues. This is a consequence of the fact that Ei's decision on allowed revenues has been appealed in the court, where Ei lost the case both for the gas and the electricity allowed revenues, which led to higher allowed revenues for the companies. For the electricity network companies, the permissible WACC therefore has been lowered by a government regulation and is implemented. Since the decision can be appealed, Ei has therefore decided to wait for the outcome of this process before changing the regulation of the gas networks.

(563) The Agency recommended Ei to ensure that the TSO inputs in the RPM the share of the allowed revenue it intends to recover and use the resulting value to set the transmission services revenue.

- The NRA has addressed this recommendation by giving the TSO information to update with target revenue. The TSO has published information about allowed revenues (SEK 1,954 million) and targeted revenue (SEK 1,780 million)[171] which also can be reached from ENTSOG TP[172].

(564) The Agency recommended Ei to ensure that the TSO provides additional clarity on the methodology used to forecast booked capacity.

- The NRA has addressed this recommendation by giving the TSO information to update with information regarding methodology used to forecast booked capacity. The TSO has published information about methodology used to forecast booked capacity[173], which can be reached from ENTSOG TP[174].
- The Agency has not been able to assess this methodology.

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[169] Page 20*, Cross-subsidisation in the network point 1-5,* of the motivated decision is avalible at: https://acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Documents/2018-102372%20-%20Beslut_EN.pdf.

[170] Page 12 of the motivated decision is avalible at: https://acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Documents/2018-102372%20-%20Beslut_EN.pdf.

[171] https://www.swedegas.com/Our_services/services/transmission/Tariff-regulation-and-information.

[172] https://transparency.entsog.eu/#/operators, Swedegas, Links, Tariff Information page.

[173] https://www.swedegas.com/Our_services/services/transmission/Tariff-regulation-and-information.

[174] https://transparency.entsog.eu/#/operators, Swedegas, Links, Tariff Information page.

(565) The Agency recommended Ei to ensure that the TSO upgrades the publicly available simplified tariff model to allow network users to input different values of forecasted capacity and allowed revenue.

- The NRA has addressed this information to the TSO and the simplified tariff model is available on the TSO's webpage and can be reached from the transparency platform.

(566) The Agency recommended Ei to include all three services that were not included in the consultation document ('Extra Omradeskapactiet', 'Kapacitetstilldelningsavgifter', and 'Dygnsbokningsavgift') and assess if the services qualify as transmission services or non-transmission services. If the services qualify as transmission services, they should be included in the RPM and should not be recovered via separate charges.

- The NRA has addressed this recommendation by in the motivated decision assessing that the charges extra area capacity, capacity allocation fee for summer and winter periods and capacity allocation fee for daily capacity products shall be classified as non-transmission services[175].
- The Agency has not been able to assess the applied approach.

(567) The Agency recommended Ei to consider the possibility that the proposed LNG terminal is operational, as expected, by 2020 and its impact on the tariff structure.

- NRA has addressed this recommendation by demanding explanation from the TSO. The TSO has explained that the LNG is only applied to the sea transport sector and other costumers not connected to the transmission network. The LNG gas can't compete with the gas from the transmission network from Denmark.
- It is still unclear whether the terminal LNG will be built or not, but the government has taken a decision in 2019 that the LNG terminal will not be allowed to connect to the transmission network.

(568) The following additional elements included in the motivated decision differ from the public consultation.

- Because the consultation does not explain its assessment clearly enough, the NRA requested deeper motivations from the TSO to clarify why the postage stamp method was the best choice for the Swedish transmission network. In the decision, a deeper motivation is presented and an analysis is made from the NRA regarding cost reflectivity.

(569) The table below summarises how the Ei has taken into account the recommendations made by the Agency.

[175] Page 24 of the motivated decision is avalible at: https://acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Documents/2018-102372%20-%20Beslut_EN.pdf.

Table 45: Compliance of the final consultation and the NRA motivated decision pursuant to Article 27(2).

	RPM compliance with Article 7						Non-transmission tariffs				Commodity-based tariffs (flow-based charge)				Commodity tariffs (CRRC)			
	Transparency	Cost reflectivity	Cross-border trade	Cross-subsidisation	Non-discrimination	Volume risk	Cross-subsidisation	Cost reflective	Non-discrimination	Objective	Levied to cover flow costs	Based on historical/forecasted flows	Same at all entries/exits points	Monetary terms / in kind	Levied for under/over -recoveries	Based on historical/forecasted flows	Applied at points other than IPs	NRA assessment
Final consultation											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Motivated decision											n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(570) Compared to the public consultation, Ei provides higher transparency. However, the allowed revenue is not yet decided.

(571) Ei provides a full justification to support the choice of the postage stamp RPM and its comparison with CWD. The Agency could not assess the details of the justification. In any case, the Agency underlines that any loss in cross-reflectivity does not create effects cross-border, since there are no transit flows in Sweden.

21.3 Checklist information Article 26(1)

Table 46: Checklist information Article 26(1).

Article	Information on Article 26(1)	Final consultation	Motivated decision
26(1)(a)	Description of the proposed reference price methodology	Yes	Yes
26(1)(a)(i)(1)-(2)	Justification of the parameters and assumptions that are an input to the RPM	Yes	Yes
26(1)(a)(ii)	Adjustments pursuant to Article 9	Yes	Yes
26(1)(a)(iv)	Results, components and details of the cost allocation assessment	Yes	Yes
26(1)(a)(v)	Assessment of the proposed RPM in accordance with Article 7	Yes	Yes
26(1)(a)(vi)	Comparison against the CWD methodology	Yes	Yes
26(1)(b)	Indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes	Yes
26(1)(c)(i)(1)-(3)	Assessment of commodity-based transmission tariffs based on Article 4(3)	N.A.	N.A.
26(1)(c)(ii)(1)-(4)	Assessment of non-transmission services based on Article 4(3)	Yes	Yes
26(1)(d)	Tariff trends and simplified tariff model as set out in Article 30(2);	Yes	Yes
26(1)(e)(i)-(iv)	Fixed payable prices.	N.A.	N.A.

21.4 Other questions relevant to the applicable TSO tariffs

21.4.1 Is the NRA motivated decision translated to English?

(572) Yes.

21.4.2 Access to networks services set outside the motivated decision

(573) No other services related to access natural gas transmission network.

21.4.3 TSO revenues outside the scope of the NC TAR

(574) No TSO revenues outside the scope of the NC TAR.

21.4.4 Tariffs used to recover costs of non-TSO activities (e.g. levies, charges to recover storage or LNG costs)

(575) No.

21.4.5 TSO tariffs not derived using the RPM (e.g. biogas, incremental capacity)

(576) No.

21.4.6 Expected date for the next NRA tariff motivated decision

(577) Expected date for the next NRA motivated decision: 2023.

Annex I: List of abbreviations

Acronym	Definition
ACER, The Agency	Agency for the Cooperation of Energy Regulators
CAA	Cost Allocation Assessment
CAPEX	Capital Expenditures
CRRC	Complementary revenue recovery charge
CWD	Capacity Weighted Distance
DSO	Distribution system operator
EC	European Commission
ENTSOG	European Network of Transmission System Operators for Gas
EU	European Union
GCA	Gas Connect Austria
GTS	Gasunie Transport Services
IP	Interconnection Point
ITO	Independent Transmission Operator
MACL	Market area conversion charge
MS	Member State
NC BAL	Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks ('NC BAL')
NC TAR	Commission Regulation (EU) 2017/460 of 16 March 2017, establishing a network code on harmonised transmission tariff structures for gas
NCG	NetConnect Germany
NRA	National Regulatory Authority
OPEX	Operational Expenditures
PtG	Power-to-Gas
RAB	Regulated Asset Base
RAB	Regulated asset base
RPM	Reference Price Methodology
TAG	Trans Austria Gasleitung
TPA	Third party access
TSO	Transmission System Operator
VIP	Virtual Interconnection Point
VPB	Virtual point-based variant B methodology
WQA	Wobbe Quality Adaptation service

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