



Croatian Energy Regulatory Agency

Consultation on discounts, multipliers and seasonal factors in accordance with Article 28 of Commission Regulation (EU) 2017/460

This document was adopted by the Decision on launching the Consultation on discounts, multipliers and seasonal factors in accordance with Article 28 of Regulation (EU) 2017/460, from 16 March 2017, about the establishment of network rules on harmonized transmission tariff structures for gas, Class: 310-03/18-02 /3, Reg. No.: 371-04-18-1, December 18, 2018

Zagreb, December 2018

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1. THE PURPOSE OF THE CONSULTATION

The purpose of the consultation is to collect information on the interests, opinions and suggestions of the national regulatory authorities of directly connected Member States and concerned public in order to raise the level of understanding and acceptance of the proposed discounts, multipliers and seasonal factors.

Based on the Act on the Regulation of Energy Activities („Official Gazette“, No 120/12, 68/18), the Croatian Energy Regulatory Agency (further in text: HERA) as a national body with public authority for regulating energy activities in the Republic of Croatia conducts consultations with the concerned public.

Public consultation in accordance with Article 28 of the Regulation (EU) 2017/460 from 16 March 2017, on the Network Code on Harmonised Transmission Tariff Structures for Gas (Text with EEA relevance) is about multiplier levels, seasonal factor levels and calculations, referred to an Article 15 of the Regulation 2017/460, as well as the level of discounts referred to an Article 9 paragraph 2 and Article 16 of the Regulation 2017/460.

This consultation is carried out simultaneously with the final consultation of the proposed Reference price methodology in accordance with Article 26 of the Regulation (EU) 2017/460.

2. INVITATION FOR PARTICIPATION IN THE CONSULTATION

HERA informs the national regulatory authorities of all directly related Member States and any interested parties regarding the beginning of consultations carried out in accordance with Article 28 of the Regulation 2017/460 and the level of the calculated and proposed:

- discounts,
- multipliers and
- seasonal factors

Consultation will take place in the period from December 18, 2018 to February 18, 2019. Bring your suggestions and remarks by filling out the Complaint Form available on the HERA's website. Completed form with respective comments should be sent by e-mail to savjetovanje@hera.hr no later than February 18, 2019.

Please, name your e-mail message "*Consultation-2018-17*". Name the form "*Consultation-2018-17_NAME.docx*" where NAME represents the abridged name of the representative of the interested member of the public.

After completion of the consultation, HERA will perform a formal Decision-making process regarding the level of discounts, multipliers and seasonal factors, taking into account the view of national regulatory authorities of all directly related Member States, and all interested parties which will be published on HERA's website.

3. CALCULATION OF LEVEL OF MULTIPLIERS AND SEASONAL FACTORS FOR NON-YEARLY STANDARD CAPACITY PRODUCTS

The transparency of transmission tariff structures and procedures towards setting them need to be increased to an EU wide level, hence the aforementioned Regulation sets out guidelines for determining requests for publishing information related to determining the revenues of TSO by performing different transmission and non-transmission tariffs.

Capacity-based transmission tariffs should be presented in a transparent and impartial manner, taking into account the actual costs incurred for providing of transmission services, considering the level of complexity of the transmission network. In this manner, users of the transmission system have an insight into the costs on which the transmission tariffs are based and can predict the same.

Given the complexity of the Croatian gas transmission network system, a proposed calculation of transmission tariffs is based on a homogeneous group of points of all entry / exit points of the transmission system for non-discriminatory access.

The Reference price methodology determines capacity-based transmission tariffs for calculating reference prices for the yearly standard capacity product. For such a product, the reference price is used as a reserve price, while the **reserve prices for non-yearly standard capacity products** are calculated by using the multipliers and seasonal factors, if any.

The cost of capacity lease refers to the part of costs incurred by providing transmission services, whose level does not only affect the amount of the lease but also the lease period of the capacity, which may be:

- **Quarterly** – capacity contracting on a quarterly level
- **Monthly** – capacity contracting on a monthly level
- **Daily** – capacity contracting on a daily level
- **Within-day** – within-day capacity contracting on an hourly level

The calculation of seasonal factors is based on the average planned monthly gas flow quantities for the years 2021-2026, according to Article 15, paragraphs 2 to 6 of the Regulation 2017/460, and is available on the HERA's website.

The Regulation stipulates that the multipliers and seasonal factors level is applicable only to interconnection points, but HERA suggests that levels of multiplier and seasonal factors are applicable at all entry and exit points of the Republic of Croatia's transmission system.

Below, is a proposal for calculated multipliers and seasonal factor levels.

Table 1. Proposed multiplier levels for non-yearly standard capacity products

Capacity products	Quarterly	Monthly	Daily / Within-day
Level of multipliers	1,2	1,3	2,5

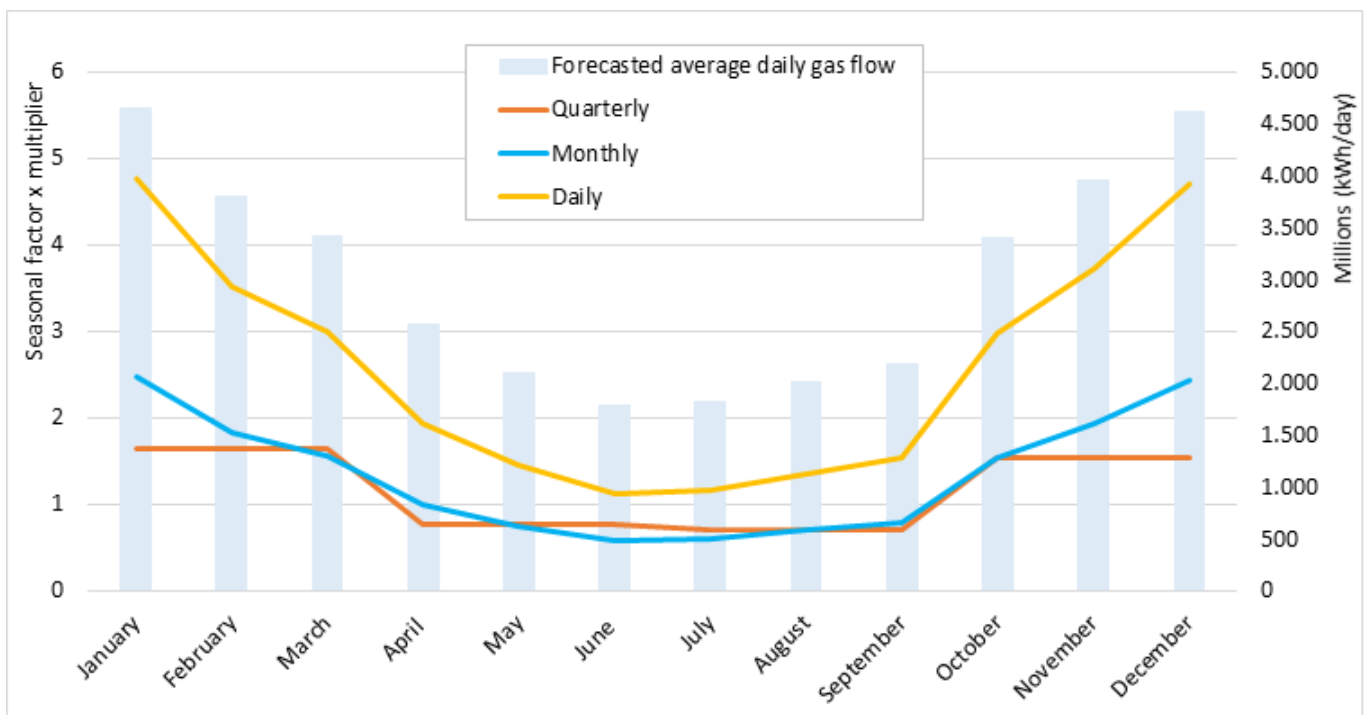
Table 2. Proposed levels of seasonal factors by months

Seasonal factors	Quarterly	Monthly	Daily/Within-day
January	1,375	1,907	1,907
February	1,375	1,406	1,406
March	1,375	1,201	1,201
April	0,654	0,778	0,778
May	0,654	0,581	0,581
June	0,654	0,453	0,453
July	0,588	0,466	0,466
August	0,588	0,542	0,542
September	0,588	0,618	0,618
October	1,292	1,190	1,190
November	1,292	1,492	1,492
December	1,292	1,883	1,883

Table 3. Products of proposed multiplier and seasonal factor levels for non-yearly standard capacity products, by months

Products of multipliers and seasonal factors	Quarterly	Monthly	Daily/Within-day
January	1,650	2,479	4,768
February	1,650	1,827	3,514
March	1,650	1,562	3,003
April	0,785	1,011	1,944
May	0,785	0,756	1,453
June	0,785	0,589	1,133
July	0,705	0,606	1,166
August	0,705	0,705	1,356
September	0,705	0,803	1,544
October	1,550	1,547	2,975
November	1,550	1,939	3,729
December	1,550	2,449	4,709
Average	1,173	1,356	2,608

Picture 1. Overview of product of multipliers and seasonal factors for non-yearly standard capacity product, by months



4. CALCULATION OF RESERVE PRICES FOR NON-YEARLY STANDARD CAPACITY PRODUCTS FOR FIRM CAPACITY

When applying seasonal factors, reserve prices for quarterly standard capacity products, for monthly standard capacity products and for daily standard capacity products, are calculated in accordance with the following formula:

$$P_{st} = (M \times SF \times T/365) \times D$$

Where:

- P_{st} is the reserve price for the respective standard capacity product;
- M is the level of the multiplier corresponding to the respective standard capacity product;
- SF is the seasonal factor
- T is the reference price;
- D is the duration of the respective standard capacity product expressed in gas days.

For leap years, the formula shall be adjusted so that the figure 365 is substituted with the figure 366.

The reserve prices for within-day standard capacity products, in accordance with the following formula:

$$P_{st} = (M \times SF \times T/8760) \times H$$

Where:

- P_{st} is the reserve price for the within-day standard capacity product;
- M is the level of the corresponding multiplier;
- SF is the seasonal factor
- T is the reference price;
- H is the duration of the within-day standard capacity product expressed in hours.

For leap years, the formula shall be adjusted so that the figure 8760 is substituted with the figure 8784.

5. PROPOSED DISCOUNTS AT ENTRY AND EXIT POINTS OF THE GAS STORAGE SYSTEM

The Croatian natural gas storage facility is located at Okoli, under the management of the energy company Podzemno skladište plina Ltd (hereinafter: PSP Okoli). The PSP Okoli is not directly connected to any other transmission system, except with the main gas pipeline of the Republic of Croatia, which is technologically connected to the Velika Ludina point.

Gas storage plays an important role in the energy system and represents a significant interest for the Republic of Croatia. PSP Okoli is used for seasonal balancing of the gas system and has a technical capacity of 553 million m³ of natural gas.

For the purpose of avoiding double charging for transmission tariffs at the entry and exit points of the gas storage, the Regulation 2017/460 stipulates a discount of at least 50%, taking into account the contribution that the storage infrastructure provides for system flexibility and security of supply.

With regard to all of the above, the following tariff discounts are proposed:

- 90% discount for entry into the gas transmission system from storage;
- 100% for exit from the transmission system and entry in the storage

Considering the current valid Methodology, the proposed discounts remain unchanged.

6. PROPOSED DISCOUNT AT LNG TERMINAL ENTRY POINT

The Regulation 2017/460 encourages the security of supply, such that it is possible to apply a discount on the appropriate capacity-based transmission tariffs at entry points from the LNG terminal.

The Regulation 2017/460 does not prescribe a minimum level of discount, as is the case for storage, so it is proposed the discount for entry from the LNG terminal be:

- 15% discount on gas transmission for contracted permanent capacity at the annual level for entry from the LNG terminal

7. PROPOSED DISCOUNT FOR RESERVE PRICE CALCULATION FOR STANDARD CAPACITY PRODUCTS FOR INTERRUPTIBLE CAPACITY

According to the Regulation 2017/460, Article 16, paragraph 4, the national regulatory authority may decide to apply an ex-post discount (instead of the recommended ex-ante discount) if there was no interruption of capacity due to physical congestion in the previous gas year. In case of usage of ex-post discounts, network users are compensated after the actual interruptions incurred.

Since, in the gas transmission system of the Republic of Croatia there was no capacity disruption due to physical congestion in the previous gas year, HERA proposes to apply ex-post discounts for reserve price calculation for standard capacity products for interruptible capacity, where ex post

fees paid for each day on which an interruption occurred are equal to the triple reserve price for daily standard capacity products.

8. CONCLUSION

This document provides an opportunity to all interested parties to give their contribution and opinion to the proposed level of discounts, multipliers and seasonal factors.

HERA considers that proposed discounts, multipliers and seasonal factors allow users of the Croatian transmission system a more favourable lease of short-term capacity, which also promotes the efficient use of the capacity of the gas transmission network. This refers to different user profiles, from those with a consistent consumption during the whole year compared to those who have fluctuations in consumption between summer and winter months.

Therefore, the proposed seasonal factors together with associated multiplier levels, along with the precondition for optimizing the required capacity in accordance with the individual customer portfolio, provide less financial burdens on the users of the transmission system who will reserve capacities on a quarterly, monthly, daily and within-day basis.

This consultation, through the proposed levels of discounts, multipliers and seasonal factors, enables greater system utilization, better non-yearly reservation planning and greater savings for transmission system users.