

UNOFFICIAL CONSOLIDATED TEXT of the Methodology for the Determination of the Amount of Tariff Items for Gas Transmission ("Official Gazette", No. 85/13) with the Amendments to the Methodology for the Determination of the Amount of Tariff Items for Gas Transmission ("Official Gazette", No. 158/13) and the Amendments to the Methodology for the Determination of the Amount of Tariff Items for Gas Transmission ("Official Gazette", No. 118/15), COMPOSED BY THE CROATIAN ENERGY REGULATORY AGENCY

CROATIAN ENERGY REGULATORY AGENCY

Pursuant to Article 11, paragraph 1, item 9 of the Act on the Regulation of Energy Activities ("Official Gazette", Number 120/12), the Croatian Energy Regulatory Agency, at the session of the Board of Commissioners held on 21 June and 17 December 2013, adopted the following

METHODOLOGY FOR THE DETERMINATION OF THE AMOUNT OF TARIFF ITEMS FOR GAS TRANSMISSION

I. GENERAL PROVISIONS

Article 1

This Methodology for the Determination of the Amount of Tariff Items for Gas Transmission (hereinafter: the Methodology) determines the following:

- the model of regulation of the energy activity of gas transmission,
- the formula and elements for calculating the allowed revenue of the transmission system operator (hereinafter: allowed revenue),
- the audit procedure for the allowed revenue,
- the distribution of the allowed revenue and the manner, elements and criteria for calculating the amount of tariff items,
- the coefficients for calculating the fee for the use of the transmission system capacity and for the transmission system's contracted capacity overrun,
- the calculation of the fee for the use of the transmission system for the transmission system user (hereinafter: the user),
- the process of submitting a request for the determination or change of the amount of tariff items and the delivery of data and documentation,
- the data, documentation and other baselines used for the calculation and audit of the allowed revenue, and
- the data, documentation and other baselines used for the calculation of the amount of tariff items.

Article 2

This Methodology shall be applied by the transmission system operator (hereinafter: the operator).

Article 3

(1) The terms used in this Methodology shall have the meanings determined by the legislation governing the energy sector, the regulation of energy activities and the gas market, as well as by the regulations adopted pursuant to such legislation.

(2) This Methodology additionally uses the terms which shall have the following meanings within the meaning of this Methodology:

- regulatory period – a multi-annual period for which, separately for each regulatory year, the allowed revenue and the amount of tariff items are determined, during which certain fixed elements for the calculation of the allowed revenue apply, and upon the expiration of which the audit of the allowed revenues is performed,
- regulatory year t – the part of the regulatory period that corresponds to the period from 1 January to 31 December of the calendar year,
- regulatory year T – the first year of the regulatory period,
- regulated assets – assets used exclusively to perform the energy activity of gas transmission,
- contracted capacity – the transmission system capacity contracted by the user in accordance with the Gas Transmission Agreement, which capacity is considered the maximum daily capacity expressed in kWh/day,
- separate zone – a segment of the transmission system that represents the cross-border interconnection foreseen exclusively for gas transmission to other countries.

II. CHARACTERISTICS OF THE METHODOLOGY

Article 4

(1) This methodology is based on the incentive regulation method, i.e. the method of maximum allowed revenue.

(2) The distribution of the allowed revenue and the determination of tariff items are based on the entry-exit model.

Article 5

(1) The regulatory period begins on 1 January in the regulatory year T and ends on 31 December in the regulatory year $T+n-1$, where n represents the number of years in the regulatory period.

(2) The duration of the first regulatory period is three years, and the duration of the second and subsequent regulatory periods is five years.

Article 6

During the regulatory period, the following elements shall be fixed:

- the nominal value of the weighted average cost of capital before tax (hereinafter: WACC) and,
- the efficiency coefficient (X).

Distribution of achieved savings

Article 7

(1) The achieved savings represent the difference between the allowed amount of operating expenses and the actual amount of operating expenses.

(2) The distribution of achieved savings referred to in paragraph 1 of this Article is carried out in such a manner that the operator retains 50% of achieved savings, and is calculated according to the formula:

$$\text{savings for the operator} = \max \left[0.5 \times (OPEX_{T+n-1} - OPEX_{T+n-1}^{OTS}), 0 \right]$$

wherein the following items are:

- OPEX_{T+n-1} - the allowed amount of operating expenses of business operations in the last year of the regulatory period (HRK),
- OPEX_{T+n-1}^{OTS} - the amount of operating expenses incurred by the operator in the last year of the regulatory period (HRK).

III. ALLOWED REVENUE

PROJECTED ALLOWED REVENUE

Article 8

The projected allowed revenue for each year of the regulatory period is determined in the year preceding the first year of the regulatory period (hereinafter: year T-1).

Article 9

(1) The projected allowed revenue shall cover reasonable operating expenses incurred when performing the energy activity of gas transmission and shall ensure a return on regulated assets.

(2) The projected allowed revenue in the regulatory year t is calculated according to the formula:

$$DP_t^P = OPEX_t^P + A_t^P + PRO_t^P + PV\delta_t - (P_{PRIK}^P + P_{NU}^P + P_{OST}^P)$$

wherein the following items are:

- DP_t^P - the projected allowed revenue in the regulatory year t (HRK),
- OPEX_t^P - the projected operating expenses of business operations in the regulatory year t (HRK),
- A_t^P - the projected depreciation of regulated assets in the regulatory year t (HRK),
- PRO_t^P - the projected return on regulated assets in the regulatory year t (HRK),
- PVδ_t - the part of the difference between the audited allowed revenues and realised revenues in the previous regulatory period stated in the regulatory year t (HRK),
- P_{PRIK}_t^P - the projected revenues from the fee for the connection and increase in the connection capacity in the regulatory year t (HRK),

- $P_{NU}^P_t$ - the projected revenues from non-standard services in the regulatory year t (HRK),
- $P_{OST}^P_t$ - other projected operating revenues not related to the core business of the transmission system operator (hereinafter: other projected operating revenues), in the regulatory year t (HRK).

Projected operating expenses of business operations

Article 10

- (1) Operating expenses of business operations (hereinafter: OPEX) are all reasonable expenses related to the energy activity of gas transmission and do not include the cost of depreciation.
- (2) OPEX consists of reasonable amounts of material expenses, service expenses, personnel expenses, other operating expenses and other operating expenditures.
- (3) OPEX also includes the costs of gas purchase required for the maintenance of line pack, plant's own use, and coverage of permitted plant losses and differences in measurement.
- (4) The permitted plant losses and the difference in measurement amount to no more than 0.3% of the total quantity of gas at the entries into the transmission system determined based on the results of measurement concerning the use of transmission system capacity.
- (5) OPEX does not include operating expenses the Agency considers unjustified for the performance of the energy activity of gas transmission and which are not a constituent part of the allowed revenue of the operator.
- (6) The unjustified expenses referred to in paragraph 5 of this Article are as follows:
- the cost of gas purchase for the coverage of permitted plant losses and the difference in measurement, in the amount exceeding the allowed amount determined by multiplying the permitted plant losses and the difference in measurement referred to in paragraph 4 of this Article and the reasonable average gas purchase price,
 - advertising and sponsorship services and trade fair expenses, in the total amount,
 - value adjustment, exceeding the amount of 1% of the total operating revenues of the operator,
 - provisions, in the total amount,
 - occasional awards, in the total amount,
 - annual awards for the members of the Management Board, in the total amount, and
 - internal entertainment and promotion expenses, in the total amount.
- (7) The projected OPEX amount for the first year of the regulatory period is determined as follows:

$$OPEX^P_T = OPEX^{DOZ}_{T-2} \times (1 + CPI^P_{T-1} - X_{T-1}) \times (1 + CPI^P_T - X)$$

wherein the following items are:

- $OPEX^P_T$ - the projected OPEX amount for the regulatory year T (HRK),
- $OPEX^{DOZ}_{T-2}$ - the allowed base OPEX amount in the year preceding the year $T-1$ (hereinafter: the year $T-2$) (HRK),
- CPI^P_{T-1} - the projected consumer price index for the year $T-1$,
- X_{T-1} - the efficiency coefficient in the year $T-1$,
- CPI^P_T - the projected consumer price index for the regulatory year T ,
- X - the efficiency coefficient in the regulatory period.

- (8) The allowed base OPEX amount in the year $T-2$ is calculated according to the formula:

$$OPEX^{DOZ}_{T-2} = \min \left[OPEX_{T-2}, OPEX_{T-2} - 0.5 \times (OPEX_{T-2} - OPEX^{OTS}_{T-2}) \right]$$

wherein the following items are:

- $OPEX^{DOZ}_{T-2}$ - the allowed base OPEX amount in the year T-2 (HRK),
- $OPEX_{T-2}$ - the previously projected OPEX amount for the year T-2 (HRK),
- $OPEX^{OTS}_{T-2}$ - the realised OPEX amount in the year T-2 (HRK).

(9) When determining the allowed base OPEX amount in the year T-2, the Agency can also determine as unjustified expenses a partial or full amount of certain other operating expenses other than the expenses referred to in paragraph 6 of this Article, based on the analysis of the appropriateness of operating expenses, performed by checking the quantities and prices incurring a specific expense, on the analysis of the same operating expenses of the operator in the previous years, as well as on the basis of a comparative analysis of expenses and operating performance of the transmission system operator in the Republic of Croatia and in the region.

(10) The realised OPEX amount in the year T-2 is determined according to Table 1 Total operating expenses of business operations set out in Appendix 1, constituting an integral part of this Methodology.

(11) The projected OPEX amount for the second and subsequent years of the regulatory period is determined according to the formula:

$$OPEX^P_{T+i-1} = OPEX^P_{T+i-2} \times (1 + CPI^P_{T+i-1} - X); \quad i=2 \dots n$$

wherein the following items are:

- $OPEX^P_{T+i-1}$ - the projected OPEX amount in the regulatory year T+i-1 (HRK),
- $OPEX^P_{T+i-2}$ - the projected OPEX amount in the regulatory year T+i-2 (HRK),
- CPI^P_{T+i-1} - the projected consumer price index in the regulatory year T+i-1,
- X - the efficiency coefficient in the regulatory period,
- n - the number of years in the regulatory period.

Projected depreciation

Article 11

(1) The calculation of depreciation of regulated assets is performed by a linear method using annual depreciation rates determined according to the expected useful life of assets, following the principles of accounting standards.

(2) The expected useful life of fixed tangible assets from the category of gas pipelines, measuring and regulating stations and office building amounts to at least 35 years.

(3) The basis for the calculation of depreciation is the book purchase value of fixed assets, which on the last day of the regulatory year t-1 has a net book value in accordance with international accounting standards.

(4) The amount of the projected depreciation of regulated assets in the regulatory year t, excluding the depreciation of non-repayable funds, shall be determined according to Table 3 Regulated assets, and Table 4 Depreciation of regulated assets set out in Appendix 1, constituting an integral part of this Methodology.

Projected return on regulated assets

Article 12

(1) The projected return on regulated assets in the regulatory year t is calculated according to the formula:

$$PRO_t^P = RO_{pros}^P \times WACC^P$$

wherein the following items are:

- PRO_t^P - the projected return on regulated assets in the regulatory year t (HRK),
- RO_{pros}^P - the projected average amount of regulated assets in the regulatory year t (HRK),
- $WACC^P$ - the projected WACC amount for the regulatory period (%).

(2) The projected average amount of regulated assets in the regulatory year t is calculated according to the formula:

$$RO_{pros}^P = \frac{RO_{t-1}^P + RO_t^P}{2}$$

wherein the following items are:

- RO_{pros}^P - the projected average amount of regulated assets in the regulatory year t (HRK),
- RO_{t-1}^P - the projected value of regulated assets at the end of the regulatory year t-1 (HRK),
- RO_t^P - the projected value of regulated assets at the end of the regulatory year t (HRK).

Article 13

(1) The projected value of regulated assets at the end of the regulatory year t is calculated based on the forecast of the operator's balance sheet for the regulatory years T-1 to T+n-1 and Table 3 Regulated assets set out in Appendix 1, constituting an integral part of this Methodology, according to the formula:

$$RO_{T+i-1}^P = RO_{T+i-2}^P + I_{T+i-1}^P - A_{T+i-1}^P - S_{besp}^P_{T+i-1} - OR_{T+i-1}^P; i=0...n$$

wherein the following items are:

- RO_{T+i-1}^P - the projected value of regulated assets at the end of the regulatory year T+i-1 (HRK),
- RO_{T+i-2}^P - the projected value of regulated assets at the end of the regulatory year T+i-2 (HRK),
- I_{T+i-1}^P - the projected value of new investments in the gas transmission system which will be put into use in the regulatory year T+i-1 (HRK),
- A_{T+i-1}^P - the projected amount of depreciation in the regulatory year T+i-1, excluding the depreciation of non-repayable funds (HRK),
- $S_{besp}^P_{T+i-1}$ - the projected value of non-repayable funds in the regulatory year T+i-1 (HRK),
- OR_{T+i-1}^P - the projected value of sold and disposed assets in the regulatory year T+i-1 (HRK),
- n - the number of years in the regulatory period.

(2) Regulated assets include the investments within the approved ten-year transmission system development plan, wherein the projected investments in the construction and reconstruction of the transmission system shall be technically feasible and economically efficient, and shall provide the appropriate level of security of gas supply.

(3) The projected value of regulated assets at the end of the regulatory year T+i-2, in the case where i=0, represents the actual value of regulated assets at the end of the year T-2, and may be taken from the operator's balance sheet and includes:

- the net book value of fixed tangible assets in use, which serve the purposes of gas transmission,
- net book value of fixed intangible assets in use, which serve the purposes of gas transmission,
- impairment for the obtained non-repayable funds financing the transmission system development.

(4) The amount of the net book value of fixed tangible assets referred to in paragraph 3 of this Article is calculated by adding the net book value of the following items:

- land,
- gas pipelines,
- buildings,
- plants and equipment,
- tools, plant inventory and transportation means, and
- other assets.

(5) The amount of the net book value of intangible assets referred to in paragraph 3 of this Article is calculated by adding the net book value of concessions, patents, licences, computer software and other similar rights.

Article 14

(1) The projected WACC amount for the regulatory period is calculated according to the formula:

$$WACC^P = \frac{r_e}{1-P} \times \frac{E}{E+D} + r_d \times \frac{D}{E+D}$$

wherein the following items are:

- WACC^P - the projected WACC amount for the regulatory period (%),
r_e - the rate of return on equity (%),
E/(E+D) - the share of equity in total capital (%),
r_d - the rate of return on debt (%),
D/(E+D) - the share of debt in total capital (%),
P - the corporate income tax rate (%).

(2) The target share in the structure of capital for the calculation of the projected WACC amount for the regulatory period referred to in paragraph 1 of this Article, shall be the share of equity in the amount of 50% and the share of debt in the amount of 50%.

(3) The rate of return on equity is determined by applying the capital asset pricing model (CAPM), according to the formula:

$$r_e = r_f + \beta \times (r_m - r_f)$$

wherein the following items are:

- r_e - the rate of return on equity (%),
- r_f - the risk-free rate of return (%),
- r_m - the rate of return on the diversified market portfolio (%),
- $r_m - r_f$ - the market risk premium (%),
- β - the coefficient of variability of return on the operator's shares in relation to the average variability of return on the market portfolio.

(4) The risk-free rate of return (r_f) is determined based on the average nominal interest rate of the last ten-year domestic or international bond issued by the Republic of Croatia.

(5) The coefficient of variability of return on the operator's shares in relation to the average variability of return on the market portfolio (β) reflects the degree of risk of investing in the energy activity of gas transmission in relation to the risk of investing in the market, and may be determined on the basis of a comparative analysis of the coefficients of variability of return on the shares of gas system operators applied in the regulatory mechanisms of European countries.

(6) The rate of return on the diversified market portfolio (r_m) is determined as the sum of the risk-free rate of return (r_f) and the market risk premium ($r_m - r_f$), which is determined based on the expected rate of return on the diversified market portfolio in the Republic of Croatia.

(7) The rate of return on debt (r_d) is equal to the weighted average interest rate on investment loans used by the operator to finance regulated assets, where the interest rates on investment loans are taken into consideration up to the level of rationally and thoughtfully borrowed funds. In the event that the operator fails to use investment loans to finance regulated assets, the rate of return on debt is determined as the average interest rate of banks for long-term HRK-indexed loans with the currency clause granted to companies in the Republic of Croatia, and according to the data about average monthly interest rates in the last 12 months from the most recently issued monthly bulletin of the Croatian National Bank.

(8) The elements for the calculation of the projected WACC amount for the regulatory period are determined according to Table 5 Elements for determining the WACC set out in Appendix 1, constituting an integral part of this Methodology.

SMOOTHED ALLOWED REVENUE

Article 15

(1) Smoothed allowed revenues are determined based on the projected allowed revenues determined in accordance with Article 9 of this Methodology.

(2) Smoothed allowed revenues for the years of the regulatory period shall be calculated as the net present value of the smoothed allowed revenues for the years of the regulatory period being equal to the net present value of the projected allowed revenues for the same period, whereby for the first year of the regulatory period the smoothed allowed revenue is equal to the projected allowed revenue.

(3) Smoothed allowed revenues for the years of the regulatory period are calculated according to the formula:

$$\sum_{i=1}^n \frac{DP_{T+i-1}^P}{(1+WACC^P)^i} = \sum_{i=1}^n \frac{DP_{\alpha T+i-1}^P}{(1+WACC^P)^i}$$

provided that:

$$DP^P_T = DP^P_{\alpha T}$$

$$DP^P_{\alpha T+i-1} = DP^P_{\alpha T+i-2} \times (1+\alpha); \quad i=2 \dots n$$

wherein the following items are:

- DP^P_{T+i-1} - the projected allowed revenue in the regulatory year T+i-1 (HRK),
- $DP^P_{\alpha T+i-1}$ - the smoothed allowed revenue in the regulatory year T+i-1 (HRK),
- $WACC^P$ - the projected WACC amount for the regulatory period (%),
- DP^P_T - the projected allowed revenue in the regulatory year T (HRK),
- $DP^P_{\alpha T}$ - the smoothed allowed revenue in the regulatory year T (HRK),
- $DP^P_{\alpha T+i-2}$ - the smoothed allowed revenue in the regulatory year T+i-2 (HRK),
- α - the smoothing coefficient determined by an iterative procedure,
- n - the number of years in the regulatory period.

AUDIT OF ALLOWED REVENUE

Regular audit

Article 16

(1) In the year that follows the last year of the regulatory period, a regular audit of allowed revenues is performed and the difference is determined between the realised revenues (P) and audited allowed revenues (DP) for the same regulatory period.

(2) As part of the regular audit of allowed revenues referred to in paragraph 1 of this Article, an audit of the following items shall be performed:

- projected OPEX,
- projected depreciation,
- projected return on regulated assets, and
- projected revenues from the fee for the connection and increase in the connection capacity, projected revenues from non-standard services and other projected operating revenues.

(3) The difference determined between the realised revenues and the audited allowed revenues in the regulatory period is allocated to the next regulatory period.

OPEX audit

Article 17

(1) In the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period, the actual consumer price indices (CPI) for all the years of the regulatory period (T to T+n-1), as well as the realised OPEX amount for the year T-1 are known.

(2) The audited amount of the allowed OPEX for the first year of the regulatory period ($OPEX_T$) is calculated according to the formula:

$$OPEX_T = OPEX^{DOZ}_{T-1} \times (1 + CPI_T - X)$$

wherein the following items are:

- $OPEX_T$ - the audited amount of the allowed OPEX for the regulatory year T (HRK),
- $OPEX^{DOZ}_{T-1}$ - the audited base amount of the allowed OPEX for the year T-1 (HRK),
- CPI_T - the actual consumer price index in the regulatory year T,
- X - the efficiency coefficient in the regulatory period.

(3) The audited base amount of the allowed OPEX for the year T-1 is calculated according to the formula:

$$OPEX^{DOZ}_{T-1} = \min \left[OPEX_{T-1}, OPEX_{T-1} - 0.5 \times (OPEX_{T-1} - OPEX^{OTS}_{T-1}) \right]$$

wherein the following items are:

- $OPEX^{DOZ}_{T-1}$ - the audited base amount of the allowed OPEX for the year T-1 (HRK),
- $OPEX_{T-1}$ - the initially projected OPEX amount for the year T-1 (HRK),
- $OPEX^{OTS}_{T-1}$ - the realised OPEX amount for the year T-1 (HRK).

(4) When determining the audited base amount of allowed OPEX in the year T-1, the Agency can also determine as unjustified expenses, in addition to the expenses referred to in Article 10, paragraph 4 of this Methodology, a partial or full amount of certain other operating expenses, based on the analysis of the appropriateness of operating expenses, performed by checking the quantities and prices incurring a specific expense, on the analysis of the same operating expenses of the operator in the previous years, as well as on the basis of a comparative analysis of expenses and operating performance of transmission system operators in the Republic of Croatia and in the region.

(5) The audited amount of the allowed OPEX for the second and subsequent years of the regulatory period is calculated according to the formula:

$$OPEX_{T+i-1} = OPEX_{T+i-2} \times (1 + CPI_{T+i-1} - X); i=2...n$$

wherein the following items are:

- $OPEX_{T+i-1}$ - the audited amount of the allowed OPEX for the regulatory year T+i-1 (HRK),
- $OPEX_{T+i-2}$ - the audited amount of the allowed OPEX for the regulatory year T+i-2 (HRK),
- CPI_{T+i-1} - the actual consumer price index in the regulatory year T+i-1,
- X - the efficiency coefficient in the regulatory period,
- n - the number of years in the regulatory period.

Depreciation audit

Article 18

(1) The audited amount of depreciation is determined in the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period.

(2) The audited depreciation amount is equal to the actual depreciation of regulated assets, net of actual depreciation of non-repayable funds, and is determined according to Table 3 Regulated assets, and Table 4 Depreciation of regulated assets set out in Appendix 1, constituting an integral part of this Methodology.

Audit of return on regulated assets

Article 19

(1) The audit of the projected return on regulated assets is carried out in the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period, according to the formula:

$$PRO_{T+i-1} = RO_{pros, T+i-1} \times WACC; \quad i=1...n$$

wherein the following items are:

- PRO_{T+i-1} - the audited return on regulated assets in the regulatory year $T+i-1$ (HRK),
- $RO_{pros, T+i-1}$ - the audited average amount of regulated assets in the regulatory year $T+i-1$ (HRK),
- WACC - the audited WACC amount for the regulatory period (%),
- n - the number of years in the regulatory period.

(2) The audited average amount of regulated assets in the regulatory year $T+i-1$ is calculated according to the formula:

$$RO_{pros, T+i-1} = \frac{RO_{T+i-2} + RO_{T+i-1}}{2}; \quad i=1...n$$

wherein the following items are:

- $RO_{pros, T+i-1}$ - the audited average amount of regulated assets in the regulatory year $T+i-1$ (HRK),
- RO_{T+i-2} - the audited value of regulated assets at the end of the regulatory year $T+i-2$ (HRK),
- RO_{T+i-1} - the audited value of regulated assets at the end of the regulatory year $T+i-1$ (HRK),
- n - the number of years in the regulatory period.

(3) The audited value of regulated assets at the end of the regulatory year t is equal to the actual level of regulated assets at the end of the regulatory year t considered reasonable by the Agency, and shall be determined on the basis of the operator's balance sheet and Table 3 Regulated assets set out in Appendix 1, constituting an integral part of this Methodology, according to the formula:

$$RO_{T+i-1} = RO_{T+i-2} + I_{T+i-1} - A_{T+i-1} - S_{besp\ T+i-1} - OR_{T+i-1}; \quad i=0...n$$

wherein the following items are:

- RO_{T+i-1} - the audited value of regulated assets at the end of the regulatory year $T+i-1$ (HRK),
- RO_{T+i-2} - the audited value of regulated assets at the end of the regulatory year $T+i-2$ (HRK),
- I_{T+i-1} - the audited value of new investments in the gas transmission system put into use in the regulatory year $T+i-1$ (HRK),
- A_{T+i-1} - the audited amount of depreciation in the regulatory year $T+i-1$, excluding the depreciation of non-repayable funds (HRK),
- $S_{besp\ T+i-1}$ - the audited amount of non-repayable funds in the regulatory year $T+i-1$ (HRK),

- OR_{T+i-1} - the audited amount of sold and disposed assets in the regulatory year T+i-1 (HRK),
n - the number of years in the regulatory period.

Article 20

The audited WACC amount for the regulatory period is determined in the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period.

Audit of allowed revenue

Article 21

Audited allowed revenues for every year of the regulatory period are determined in the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period, based on the audited OPEX amounts, audited depreciation amounts and audited returns on regulated assets, according to the formula:

$$DP_{T+i-1} = OPEX_{T+i-1} + A_{T+i-1} + PRO_{T+i-1} + PV\delta_{T+i-1} - (P_{PRIK, T+i-1} + P_{NU, T+i-1} + P_{OST, T+i-1}); \quad i=1...n$$

wherein the following items are:

- DP_{T+i-1} - the audited allowed revenue for the regulatory year T+i-1 (HRK),
OPEX_{T+i-1} - the audited OPEX amount for the regulatory year T+i-1 (HRK),
A_{T+i-1} - the audited depreciation amount for the regulatory year T+i-1 (HRK),
PRO_{T+i-1} - the audited return on regulated assets in the regulatory year T+i-1 (HRK),
PVδ_{T+i-1} - the part of the difference between audited allowed revenues and realised revenues in the previous regulatory period stated in the regulatory year T+i-1 (HRK).
P_{PRIK, T+i-1} - the realised revenue from the fee for the connection and increase in connection capacity in the regulatory year T+i-1 (HRK),
P_{NU, T+i-1} - the realised revenue from non-standard services in the regulatory year T+i-1 (HRK),
P_{OST, T+i-1} - the realised other operating revenues in the regulatory year T+i-1 (HRK).

Determination of realised revenue

Article 22

(1) The total actual revenues of the operator generated from performing the energy activity of gas transmission in the regulatory years of the previous regulatory period are determined in the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period, on the basis of invoices issued to the users.

(2) The total actual revenues referred to in paragraph 1 of this Article also include the revenues from auction premiums and the revenues from the sale of additional firm capacity.

Determination of the difference between audited the allowed revenues and the realised revenues

Article 23

The difference between the audited allowed revenues and the realised revenues for the years of the regulatory period is determined in the year that follows the last year of the regulatory period, i.e. in the first year of the next regulatory period, according to the following procedure:

1. The net present value of the audited allowed revenues is determined for the regulatory period, reduced to the value from the beginning of the first year of the regulatory period, according to the formula:

$$NPV_{DP} = \sum_{i=1}^n \frac{DP_{T+i-1}}{(1+WACC)^i}$$

wherein the following items are:

- NPV_{DP} - the net present value of the audited allowed revenues for the regulatory period (HRK),
 DP_{T+i-1} - the audited allowed revenues for the regulatory year $T+i-1$ (HRK),
 $WACC$ - the audited WACC amount for the regulatory period (%),
 n - the number of years in the regulatory period.

2. The net present value of realised revenues is determined for the regulatory period, reduced to the value from the beginning of the first year of the regulatory period, according to the formula:

$$NPV_P = \sum_{i=1}^n \frac{P_{T+i-1}}{(1+WACC)^i}$$

wherein the following items are:

- NPV_P - the net present value of the realised revenues in the regulatory period (HRK),
 P_{T+i-1} - the realised revenues in the regulatory year $T+i-1$ (HRK),
 $WACC$ - the audited WACC amount for the regulatory period (%),
 n - the number of years in the regulatory period.

3. The difference between the net present value of the audited allowed revenues and the net present value of the realised revenues in the regulatory period is determined, and divided into equal parts, according to the formula:

$$\Delta npv = \frac{NPV_{DP} - NPV_P}{N-1}$$

wherein the following items are:

- Δnpv - the part of the difference between the net present value of the audited allowed revenues and the net present value of the realised revenues in the regulatory period (HRK),
 NPV_{DP} - the net present value of the audited allowed revenues for the regulatory period

- (HRK),
- NPV_P - the net present value of the realised revenues in the regulatory period (HRK),
- N - the number of years in the regulatory period.

4. The difference between the realised revenues and the audited allowed revenues in the regulatory period, which is added into the calculation of the allowed revenue for specific years of the next regulatory period, is calculated according to the following formula:

$$PV\delta_{T+i-1} = \Delta npv \times (1+WACC)^t ; i=2...N; t=n+i...N$$

wherein the following items are:

- PV δ_{T+i-1} - the part of the difference between the audited allowed revenues and the realised revenues in the regulatory period, which is added into the calculation of the allowed revenue for the regulatory year T+i-1 of the next regulatory period (HRK),
- Δnpv - the part of the difference between the net present value of the audited allowed revenues and the net present value of the realised revenues in the regulatory period (HRK),
- WACC - the audited WACC amount for the regulatory period (%),
- n - the number of years in the regulatory period,
- N - the number of years in the next regulatory period.

Extraordinary audit

Article 24

- (1) An extraordinary audit of the allowed revenues for the current regulatory period may be performed during the regulatory period at the request of the operator or as per the Agency's assessment.
- (2) An extraordinary audit of allowed revenues is carried out following unexpected changes in the market that have had a significant impact on the conditions of performing the energy activity of gas transmission, which the operator could not have foreseen or prevented, eliminated or avoided.
- (3) As part of the extraordinary audit, an audit may be performed of all the elements used in the calculation of the allowed revenue and in the calculation of the amount of tariff items for gas transmission for the current regulatory period, other than the efficiency coefficient (X).

IV. DISTRIBUTION OF ALLOWED REVENUE

Article 25

Allowed revenue is divided into the part incurred from the tariff item for capacity and the part incurred from the tariff item for gas quantity, according to the formulas:

$$DP_{KAP} = 0,9 \times DP_{\alpha t}^P \quad \text{and} \quad DP_{KOL} = 0,1 \times DP_{\alpha t}^P$$

wherein the following items are:

- DP_{KAP} - the total allowed revenue based on the tariff item for capacity in the regulatory year t (HRK),
- $DP_{\alpha t}^P$ - the smoothed allowed revenue in the regulatory year t (HRK),
- DP_{KOL} - the total allowed revenue based on the tariff item for gas quantity in the regulatory year t (HRK).

Article 26

(1) After the distribution of the projected allowed revenue referred to in Article 25 of this Methodology, the total allowed revenue based on the tariff item for capacity in the regulatory year t (DP_{KAP}) is reduced by the allowed revenue from the separate zone.

(2) The allowed revenue from the separate zone contains reasonable operating expenses, depreciation and the return on regulated assets for the separate zone, as well as for other associated parts of the transmission system outside the separate zone, in the segment in which they are used for gas transmission through such separate zone.

Article 27

The total allowed revenue based on the tariff item for capacity in the regulatory year t (DP_{KAP}) is divided into the part incurred at the entries into the transmission system and the part incurred at the exits from the transmission system, according to the formulas:

$$DP_U = 0,7 \times DP_{KAP} \quad \text{and} \quad DP_I = 0,3 \times DP_{KAP}$$

wherein the following items are:

- DP_U - the allowed return at the entries into the transmission system in the regulatory year t (HRK),
- DP_{KAP} - the allowed revenue based on the tariff item for capacity in the regulatory year (HRK),
- DP_I - the allowed revenue at the exits from the transmission system in the regulatory year t (HRK).

V. TARIFF ITEMS

Article 28

The amount of tariff items for gas transmission is determined for the regulatory year t .

Article 29

(1) The tariff items for the contracted transmission system capacity are:

a) The tariff items for the contracted firm capacity on an annual basis for entries into the transmission system:

$T_{U,IN}$ – the tariff item for the entry into the transmission system at the cross-border interconnection (hereinafter: entry at interconnection) (HRK/kWh/day),

$T_{U,PR}$ – the tariff item for the entry into the transmission system from the network of production gas pipelines (hereinafter: entry from production) (HRK/kWh/day)

$T_{U,SK}$ – the tariff item for the entry into the transmission system from the gas storage system (hereinafter: entry from the gas storage system) (HRK/kWh/day), and

$T_{U,UPP}$ – the tariff item for the entry into the transmission system from the liquefied natural gas terminal (hereinafter: entry from the LNG terminal) (HRK/kWh/day).

b) The tariff items for the contracted firm capacity on an annual basis for exits from the transmission system:

$T_{I,IN}$ – the tariff item for the exit from the transmission system at the cross-border interconnection (hereinafter: exit at interconnection) (HRK/kWh/day),

$T_{I,HR}$ – the tariff item for the exit from the transmission system into the distribution system and for the exit from the transmission system to the end-customer directly connected to the transmission system (hereinafter: exit in Croatia) (HRK/kWh/day), and

$T_{I,ZZ}$ – the tariff item for the exit from the transmission system at the cross-border interconnection in the separate zone (hereinafter: exit in the separate zone) (HRK/kWh/day).

(2) The tariff item for gas quantity at the exits from the transmission systems is:

T_K – the tariff item for gas quantity (HRK/kWh).

(3) The tariff items are indicated in the Table of tariff items, as follows:

Tariff item amount	Tariff item mark	Tariff item name	Measuring unit
Tariff items for the contracted firm capacity on an annual basis for the entries into the transmission system	$T_{U,IN}$	Tariff item for the entry at interconnection	HRK/kWh/day
	$T_{U,PR}$	Tariff item for the entry from production	HRK/kWh/day
	$T_{U,SK}$	Tariff item for the entry from the gas storage system	HRK/kWh/day
	$T_{U,UPP}$	Tariff item for the entry from the LNG terminal	HRK/kWh/day
Tariff items for the contracted firm capacity on an annual basis for the exits from the transmission system	$T_{I,IN}$	Tariff item for the exit at interconnection	HRK/kWh/day
	$T_{I,HR}$	Tariff item for the exit in Croatia	HRK/kWh/day
	$T_{I,ZZ}$	Tariff item for the exit in the separate zone	HRK/kWh/day

Tariff item for gas quantity at the exits from the transmission system	T_K	Tariff item for gas quantity	HRK/kWh
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(4) The amount of tariff items referred to in paragraph 3 of this Article, as well as all the amounts in the procedure of their calculation, are rounded to four decimal places.

VI. CALCULATION OF TARIFF ITEMS

Tariff items for firm capacity on an annual basis

Article 30

(1) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the entry at interconnection is calculated for the regulatory year t according to the formula:

$$T_{U,IN} = k_{PG,kap} \times \frac{DP_U}{(KAP_{U,IN} + k_{PR} \times KAP_{U,PR} + k_{SK} \times KAP_{U,SK} + k_{UPP} \times KAP_{U,UPP})}$$

wherein the following items are:

- $T_{U,IN}$ - the tariff item for the entry at interconnection in the regulatory year t (HRK/kWh/day),
- $k_{PG,kap}$ - coefficient of impact of the projected revenue from the firm capacity on an annual basis on the total projected revenue from the capacity in the regulatory year t ,
- DP_U - the allowed revenue at the entries into the transmission system in the regulatory year t (HRK),
- $KAP_{U,IN}$ - the sum of projected contracted firm capacities on an annual basis of all users at the entries at interconnections in the regulatory year t (kWh/day),
- k_{PR} - the coefficient of safety for the entry from production,
- $KAP_{U,PR}$ - the sum of projected contracted firm capacities on an annual basis of all users at the entries from production in the regulatory year t (kWh/day),
- k_{SK} - the coefficient of safety for the entry from the gas storage system,
- $KAP_{U,SK}$ - the sum of projected contracted firm capacities on an annual basis of all users at the entries from the gas storage system in the regulatory year t (kWh/day),
- k_{UPP} - the coefficient of safety for the entry from the LNG terminal,
- $KAP_{U,UPP}$ - the sum of projected contracted firm capacities on an annual basis of all users at the entries from the LNG terminal in the regulatory year t (kWh/day).

(2) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the entry from production for the regulatory year t is calculated according to the formula:

$$T_{U,PR} = T_{U,IN} \times k_{PR}$$

wherein the following items are:

- $T_{U,PR}$ - the tariff item for the entry from production in the regulatory year t (HRK/kWh/day),
- $T_{U,IN}$ - the tariff item for the entry at interconnection in the regulatory year t (HRK/kWh/day),
- k_{PR} - the coefficient of safety for the entry from the production.

(3) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the entry from the gas storage system for the regulatory year t is calculated according to the formula:

$$T_{U,SK} = T_{U,IN} \times k_{SK}$$

wherein the following items are:

- $T_{U,SK}$ - the tariff item for the entry from the gas storage system in the regulatory year t (HRK/kWh/day),
- $T_{U,IN}$ - the tariff item for the entry at interconnection in the regulatory year t (HRK/kWh/day),
- k_{SK} - the coefficient of safety for the entry from the gas storage system.

(4) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the entry from the LNG terminal for the regulatory year t is calculated according to the formula:

$$T_{U,UPP} = T_{U,IN} \times k_{UPP}$$

wherein the following items are:

- $T_{U,UPP}$ - the tariff item for the entry from the LNG terminal in the regulatory year t (HRK/kWh/day),
- $T_{U,IN}$ - the tariff item for the entry at interconnection in the regulatory year t (HRK/kWh/day),
- k_{UPP} - the coefficient of safety for the entry from the LNG terminal.

(5) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the exit at interconnection for the regulatory year t is calculated according to the formula:

$$T_{I,IN} = k_{PG,kap} \times \frac{DP_I}{(KAP_{I,IN} + k_{HR} \times KAP_{I,HR})}$$

wherein the following items are:

- $T_{I,IN}$ - the tariff item for the exit at interconnection in the regulatory year t (HRK/kWh/day),
- $k_{PG,kap}$ - the coefficient of impact of the projected revenue from firm capacity on an annual basis on the total projected revenue from the capacity in the regulatory year t,
- DP_I - the allowed revenue at the exits from the transmission system in the regulatory year t (HRK),
- $KAP_{I,IN}$ - the sum of projected contracted firm capacities on an annual basis of all users at the exits at interconnections in the regulatory year t (kWh/day),
- k_{HR} - the coefficient of safety for the exit in Croatia,
- $KAP_{I,HR}$ - the sum of projected contracted firm capacities on an annual basis of all users at the exits in Croatia in the regulatory year t (kWh/day).

(6) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the exit in Croatia for the regulatory year t is calculated according to the formula:

$$T_{I,HR} = T_{I,IN} \times k_{HR}$$

wherein the following items are:

- $T_{I,HR}$ - the tariff item for the exit in Croatia in the regulatory year t (HRK/kWh/day),
 $T_{I,IN}$ - the tariff item for the exit at interconnection in the regulatory year t (HRK/kWh/day),
 k_{HR} - the coefficient of safety for the exit in Croatia.

(7) The amount of the tariff item for gas transmission for the contracted firm capacity on an annual basis for the exit in the separate zone in the regulatory year t is calculated as the product of multiplication of the coefficient of the impact of the projected revenue from the firm capacity on an annual basis on the total projected revenue from the capacity ($k_{PG,kap}$) in the regulatory year t and the quotient of the allowed revenue from the separate zone in the regulatory year t referred to in Article 26 of this Methodology and the sum of the projected contracted firm capacities on an annual basis of all users at the exits in the separate zone in the regulatory year t .

(8) The coefficient of safety for the entry from production (k_{PR}) referred to in paragraphs 1 and 2 of this Article amounts to 0.90, the coefficient of safety for the entry from the gas storage system (k_{SK}) referred to in paragraphs 1 and 3 of this Article amounts to 0.10, and the coefficient of safety for the entry from the LNG terminal (k_{UPP}) referred to in paragraphs 1 and 4 of this Article amounts to 0.90, whereas the coefficient of safety for the exit in Croatia (k_{HR}) referred to in paragraphs 5 and 6 of this Article amounts to 0.15.

Tariff item for gas quantity

Article 31

The tariff item for gas quantity is calculated according to the formula:

$$T_K = \frac{DP_{KOL}}{KOL}$$

wherein the following items are:

- T_K - the tariff item for gas quantity in the regulatory year t (HRK/kWh),
 DP_{KOL} - the total allowed revenue based on the tariff item for gas quantity in the regulatory year t (HRK),
 KOL - the total projected gas quantity at the exits from the transmission system in the regulatory year t , excluding the exit from the transmission system into the gas storage system (kWh).

Coefficients for the use of firm capacity on a quarterly basis

Article 31a

The coefficients for the use of firm capacity of the transmission system on a quarterly basis (K_{TM}) (hereinafter: coefficients for quarterly capacity) for each month in a specific quarter are indicated in the following Table:

Quarter	Coefficients for quarterly capacity (K_{TM})
January, February, March	0.16
April, May, June	0.10
July, August, September	0.09
October, November, December	0.15

Coefficients for the use of firm capacity on a monthly basis

Article 32

The coefficients for the use of firm capacity of the transmission system on a monthly basis (K_M) (hereinafter: coefficients for monthly capacity) are indicated in the following table:

Month	Coefficient for monthly capacity (K_M)
January	0.25
February	0.25
March	0.25
April	0.15
May	0.15
June	0.10
July	0.10
August	0.10
September	0.15
October	0.15
November	0.25
December	0.25

Coefficients for the use of firm capacity on a daily and an intradaily basis

Article 33

(1) The coefficients for the use of firm capacity of the transmission system on a daily basis (K_D) (hereinafter: coefficients for daily capacity) are equal for all days in a given month and are indicated in the following table:

Month in which the firm capacity of the transmission system is used on a daily basis	Coefficient for daily capacity (K_D)
January	0.0167
February	0.0167
March	0.0167
April	0.0100
May	0.0100
June	0.0067
July	0.0067
August	0.0067

September	0.0100
October	0.0100
November	0.0167
December	0.0167

(2) The coefficients for the use of firm capacity of the transmission system on an intradaily basis (K_{UN}) are equal to the coefficients for the use of firm capacity of the transmission system on a daily basis (K_D) referred to in paragraph 1 of this Article.

Coefficients for the use of interruptible capacity

Article 34

(1) The coefficients for the use of interruptible capacity of the transmission system on an annual, quarterly and monthly basis (K_{pr}) (hereinafter: coefficients for interruptible capacity) depend on the determined duration of interruption of the contracted interruptible capacity in a month, and are indicated in the following table:

Interruption duration (days in a month)	Coefficient for interruptible capacity (K_{pr})
≤ 3	0.80
> 3 and ≤ 10	0.40
> 10 and ≤ 25	0.10
> 25	0

(2) The coefficient for the use of interruptible capacity on a daily basis ($K_{pr,d}$) (hereinafter: coefficient for interruptible daily capacity) and the coefficient for the use of interruptible capacity on an intradaily basis ($K_{pr,un}$) (hereinafter: coefficient for interruptible intradaily capacity) are as follows:

- 0.80 for a gas day for which the interruption of the contracted daily or intradaily interruptible capacity has not been determined, and
- 0.10 for a gas day for which the interruption of the contracted daily or intradaily interruptible capacity has been determined.

VII. FEE FOR THE USE OF THE TRANSMISSION SYSTEM

Article 35

(1) The amount of the fee for the use of the transmission system for a specific user for a given month in the regulatory year t is determined as follows:

$$N = N_{kap} + N_{kol}$$

wherein the following items are:

- N - the amount of the fee for the use of the transmission system in a month (HRK),
- N_{kap} - the amount of the fee for the use of the contracted transmission system capacity in a month (HRK),
- N_{kol} - the amount of the fee for gas quantity at the exits from the transmission system in a month (HRK).

(2) The amount of the fee for the use of the contracted transmission system capacity in a given month for a specific user is calculated according to the formula:

$$N_{kap} = N_{U,kap} + N_{I,kap}$$

wherein the following items are:

- N_{kap} - the amount of the fee for the use of the contracted transmission system capacity in a month (HRK),
- $N_{U,kap}$ - the amount for the use of the contracted capacity at the entries into the transmission system in a month (HRK),
- $N_{I,kap}$ - the amount of the fee for the use of the contracted capacity at the exits from the transmission system in a month (HRK).

(3) The amount of the fee for the use of the contracted capacity at the entries into the transmission system in a given month for a specific user is calculated according to the formula:

$$N_{U,kap} = \sum_{\Omega} \left[\begin{aligned} & T_{U,\Omega} \times \frac{kap_{\Omega,g}}{12} + T_{U,\Omega} \times \frac{kap_{\Omega,pr,g}}{12} \times K_{pr} + \\ & T_{U,\Omega} \times kap_{\Omega,tm} \times K_{TM} + T_{U,\Omega} \times kap_{\Omega,pr,tm} \times K_{TM} \times K_{pr} + \\ & T_{U,\Omega} \times kap_{\Omega,m} \times K_M + T_{U,\Omega} \times kap_{\Omega,pr,m} \times K_M \times K_{pr} + \\ & \sum_{d=1}^D (T_{U,\Omega} \times kap_{\Omega,d} \times K_D + T_{U,\Omega} \times kap_{\Omega,pr,d} \times K_D \times K_{pr,d}) + \\ & \sum_{d=1}^D (T_{U,\Omega} \times kap_{\Omega,un} \times K_{UN} + T_{U,\Omega} \times kap_{\Omega,pr,un} \times K_{UN} \times K_{pr,un}) \end{aligned} \right]$$

$$\Omega = IN, PR, SK, UPP$$

wherein the following items are:

$N_{U,kap}$	- the amount of the fee for the use of contracted capacity at the entries into the transmission system in a month (HRK),
Ω	- the type of entry into the transmission system,
IN	- entries at interconnections,
PR	- entries from production,
SK	- entries from the gas storage system,
UPP	- entries from the LNG terminal,
$T_{U,\Omega}$	- the amount of the tariff item for a specific type of entry into the transmission system (HRK/kWh/day),
$kap_{\Omega,g}$	- the sum of contracted firm capacities for a specific type of entry into the transmission system, on an annual basis, for a specific user (kWh/day),
$kap_{\Omega,pr,g}$	- the sum of contracted interruptible capacities for a specific type of entry into the transmission system, on an annual basis, for a specific user (kWh/day),
K_{pr}	- the coefficient for interruptible capacity,
$kap_{\Omega,tm}$	- the sum of contracted firm capacities for a specific type of entry into the transmission system, on a quarterly basis, in a given month, for a specific user (kWh/day),
K_{TM}	- the coefficient for quarterly capacity,
$kap_{\Omega,pr,tm}$	- the sum of contracted interruptible capacities for a specific type of entry into the transmission system, on a quarterly basis, in a given month, for a specific user (kWh/day),
$kap_{\Omega,m}$	- the sum of contracted firm capacities for a specific type of entry into the transmission system, on a monthly basis, for a specific user (kWh/day),
K_M	- the coefficient for monthly capacity,
$kap_{\Omega,pr,m}$	- the sum of contracted interruptible capacities for a specific type of entry into the transmission system, on a monthly basis, for a specific user (kWh/day),
d	- gas day in a month,
D	- the total number of gas days in a month,
$kap_{\Omega,d}$	- the sum of contracted firm capacities for a specific type of entry into the transmission system, on a daily basis, for a specific user (kWh/day),
K_D	- the coefficient for daily capacity,
$kap_{\Omega,pr,d}$	- the sum of contracted interruptible capacities for a specific type of entry into the transmission system, on a daily basis, for a specific user (kWh/day),
$K_{pr,d}$	- the coefficient for interruptible daily capacity,
$kap_{\Omega,un}$	- the sum of contracted firm capacities for a specific type of entry into the transmission system, on an intradaily basis, for a specific user (kWh/day),
K_{UN}	- the coefficient for intradaily capacity,
$kap_{\Omega,pr,un}$	- the sum of contracted interruptible capacities for a specific type of entry into the transmission system, on an intradaily basis, for a specific user (kWh/day),
$K_{pr,un}$	- the coefficient for interruptible intradaily capacity.

(4) The amount of the fee for the use of contracted capacity at the exits from the transmission system in a given month for a specific user is calculated according to the formula:

$$N_{I,kap} = \sum_{\Omega} \left[T_{I,\Omega} \times \frac{kap_{\Omega,g}}{12} + T_{I,\Omega} \times \frac{kap_{\Omega,pr,g}}{12} \times K_{pr} + \right. \\
T_{I,\Omega} \times kap_{\Omega,tm} \times K_{TM} + T_{I,\Omega} \times kap_{\Omega,pr,tm} \times K_{TM} \times K_{pr} + \\
T_{I,\Omega} \times kap_{\Omega,m} \times K_M + T_{I,\Omega} \times kap_{\Omega,pr,m} \times K_M \times K_{pr} + \\
\sum_{d=1}^D (T_{I,\Omega} \times kap_{\Omega,d} \times K_D + T_{I,\Omega} \times kap_{\Omega,pr,d} \times K_D \times K_{pr,d}) + \\
\left. \sum_{d=1}^D (T_{I,\Omega} \times kap_{\Omega,un} \times K_{UN} + T_{I,\Omega} \times kap_{\Omega,pr,un} \times K_{UN} \times K_{pr,un}) \right] \\
\Omega = IN, HR$$

wherein the following items are:

$N_{l,kap}$	- the amount of the fee for the use of contracted capacity at the exits from the transmission system in a month (HRK),
Ω	- the type of exit from the transmission system,
IN	- exits at interconnections,
HR	- exits in Croatia,
$T_{l,\Omega}$	- the amount of the tariff item for a specific type of exit from the transmission system (HRK/kWh/day),
$kap_{\Omega,g}$	- the sum of contracted firm capacities for a specific type of exit from the transmission system, on an annual basis, for a specific user (kWh/day),
$kap_{\Omega,pr,g}$	- the sum of contracted interruptible capacities for a specific type of exit from the transmission system, on an annual basis, for a specific user (kWh/day),
K_{pr}	- the coefficient for interruptible capacity,
$kap_{\Omega,tm}$	- the sum of contracted firm capacities for a specific type of exit from the transmission system, on a quarterly basis, in a month, for a specific user (kWh/day),
K_{TM}	- the coefficient for quarterly capacity,
$kap_{\Omega,pr,tm}$	- the sum of contracted interruptible capacities for a specific type of exit from the transmission system, on a quarterly basis, in a month, for a specific user (kWh/day),
$kap_{\Omega,m}$	- the sum of contracted firm capacities for a specific type of exit from the transmission system, on a monthly basis, for a specific user (kWh/day),
K_M	- the coefficient for monthly capacity,
$kap_{\Omega,pr,m}$	- the sum of contracted interruptible capacities for a specific type of exit from the transmission system, on a monthly basis, for a specific user (kWh/day),
d	- gas day in a month,
D	- the total number of gas days in a month,
$kap_{\Omega,d}$	- the sum of contracted firm capacities for a specific type of exit from the transmission system, on a daily basis, for a specific user (kWh/day),
K_D	- the coefficient for daily capacity,
$kap_{\Omega,pr,d}$	- the sum of contracted interruptible capacities for a specific type of exit from the transmission system, on a daily basis, for a specific user (kWh/day),
$K_{pr,d}$	- the coefficient for interruptible daily capacity,
$kap_{\Omega,un}$	- the sum of contracted firm capacities for a specific type of exit from the transmission system, on an intradaily basis, for a specific user (kWh/day),
K_{UN}	- the coefficient for intradaily capacity,
$kap_{\Omega,pr,un}$	- the sum of contracted interruptible capacities for a specific type of exit from the transmission system, on an intradaily basis, for a specific user (kWh/day),
$K_{pr,un}$	- the coefficient for interruptible intradaily capacity.

(5) The amount of the fee for the use of the contracted capacity referred to in paragraphs 3 and 4 of this Article is increased based on the auction premiums incurred in the auction procedures.

(6) The amount of the fee for the use of contracted capacity at the exits in the separate zone in a given month for a specific user is calculated according to the formula referred to in paragraph 4 of this Article, with the associated data for the separate zone.

(7) The amount of the fee for gas quantity at the exits from the transmission system in a given month, for a specific user, is calculated according to the formula:

$$N_{kol} = T_K \times kol$$

wherein the following items are:

- N_{kol} - the amount of the fee for gas quantity at the exits from the transmission system in a month (HRK),
- T_K - the amount of the tariff item for gas quantity (HRK/kWh),
- kol - the total gas quantity at the exits from the transmission system, for a specific user, in a month, determined based on the results of measurement for the use of the transmission system capacity (kWh).

Article 36

The data on the contracted capacities and the measured gas quantities at the exit from the transmission system into the gas storage system are not taken into consideration for the calculation of the fee for the use of contracted capacity and of the fee for gas quantity.

Contracted capacity overrun

Article 37

(1) The fee for the use of the transmission system capacity exceeding the contracted capacity (hereinafter: capacity overrun fee) is calculated for a specific user for each gas day.

(2) The amount of the capacity overrun fee at the specific entry into or exit from the transmission system for a specific user for a specific gas day is calculated according to the formula:

$$n_{prek,d} = \Delta kap_{doz} \times T_{pond} + \Delta kap_{prek} \times 1,3 \times K_D \times T_i$$

wherein the following items are:

- $n_{prek,d}$ - the capacity overrun fee at the entry into or exit from the transmission system for a specific user on a specific gas day (HRK),
- Δkap_{doz} - the allowed contracted capacity overrun determined as the difference between the measured gas quantities at the specific entry into or exit from the transmission system and the sum of contracted firm and interruptible capacities for such entry into or exit from the transmission system for a specific user on a specific gas day, and amounts to no more than 10% of the sum of contracted firm and interruptible capacities for such entry into or exit from the transmission system for a specific user on a specific gas day (kWh/day),
- T_{pond} - the unit fee for the allowed contracted capacity overrun (HRK/kWh/day),
- Δkap_{prek} - the non-allowed contracted capacity overrun determined as a difference between the measured gas quantities at the specific entry into or exit from the transmission system and 110% of the sum of contracted firm and interruptible capacities for such entry into or exit from the transmission system for a specific user on a specific gas day (kWh/day),
- K_D - the coefficient for daily capacity,
- T_i - the amount of the tariff item for contracted firm capacity on an annual basis for the corresponding entry into or exit from the transmission system (HRK/kWh/day).

(3) The unit fee for the allowed contracted capacity overrun at the specific entry into or exit from the transmission system, for a specific user, on a specific gas day, is calculated according to the formula:

$$T_{pond} = \frac{T_i \times \frac{kap_g}{365} + T_i \times \frac{kap_{tm}}{D} \times K_{TM} + T_i \times \frac{kap_m}{D} \times K_M + T_i \times kap_d \times K_D}{kap_g + kap_{tm} + kap_m + kap_d}$$

wherein the following items are:

- T_{pond} - the unit fee for the allowed contracted capacity overrun (HRK/kWh/day),
- T_i - the amount of the tariff item for the contracted firm capacity on an annual basis for the corresponding entry into or exit from the transmission system (HRK/kWh/day),
- kap_g - the contracted firm and interruptible capacity for the specific entry into or exit from the transmission system, on an annual basis, for a specific user (kWh/day),
- kap_{tm} - the contracted firm and interruptible capacity for the specific entry into or exit from the transmission system, on a quarterly basis, for a specific user (kWh/day),
- D - the total number of gas days in a month,
- K_{TM} - the coefficient for quarterly capacity,
- kap_m - contracted firm and interruptible capacity for the specific entry into or exit from the transmission system, on a monthly basis, for a specific user (kWh/day),
- K_M - the coefficient for monthly capacity,
- kap_d - the contracted firm and interruptible capacity for the specific entry into or exit from the transmission system, on a daily basis, for a specific user (kWh/day),
- K_D - the coefficient for daily capacity.

(4) In order to determine the amount of the capacity overrun fee at the specific entry into or exit from the transmission system referred to in paragraph 2 of this Article, the allowed contracted capacity overrun and the non-allowed contracted capacity overrun are taken into consideration only if they have a positive sign.

(5) The amount of the capacity overrun fee on a gas day for a specific user represents the sum of all determined capacity overrun fees at specific entries into or exits from the transmission systems for the user on such gas day.

(6) The amount of the capacity overrun fee in a month for a specific user represents the sum of all determined capacity overrun fees for all gas days in a month.

(7) By way of derogation from paragraph 1 of this Article, the capacity overrun fee is not charged for the entry from the gas storage system.

(8) The amount of the unit fee for the allowed contracted capacity overrun referred to in paragraph 3 of this Article, as well as all the amounts in the procedure of calculating the unit fee for the allowed contracted capacity overrun, are rounded to four decimal places.

Calculation of the fee for the use of the transmission system and of the capacity overrun fee

Article 38

(1) The operator shall charge a fee for the use of the transmission system and the capacity overrun fee for each specific user for each specific month and shall issue a single invoice to the user for the aforementioned.

(2) The operator shall submit the calculation and the invoice referred to in paragraph 1 of this Article to the user no later than by the 15th day of the current month for the previous month.

(3) For the calculation referred to in paragraph 1 of this Article, for the users who have transferred or acquired the right to the use of the transmission system capacity in the secondary market during a month, the fee for the use of the transmission system for such capacity shall be allocated to such users in proportion to the number of gas days during which each of them used such capacity in such month.

(4) In the event that the operator fails to provide the user with the gas transmission service for the contracted firm capacity on an annual, quarterly and/or monthly basis due to the execution of planned or unplanned works, and the interruption in service provision lasts at least 24 consecutive hours, the fee for the use of the transmission system, which in accordance with paragraph 1 of this Article is charged to such a user, is reduced by the amount of the fee for the use of the transmission system that would have been charged for the period of service provision interruption if the same capacity of the transmission system had been contracted on a daily basis.

(5) In the event that the operator fails to provide the user with the gas transmission service for the contracted firm capacity on a daily basis due to the execution of planned or unplanned works, and the interruption of service provision lasts at least one hour, for the calculation and the invoice referred to in paragraph 1 of this Article, the contracted capacity of the transmission system on a daily basis shall be used, reduced in proportion to the number of hours of interruption on such gas day.

SUBMISSION OF REQUESTS FOR THE DETERMINATION OR CHANGE OF THE AMOUNT OF TARIFF ITEMS AND DELIVERY OF DATA AND DOCUMENTATION

Article 39

The distribution of the allowed revenue is carried out and the amount of tariff items for all the years of the regulatory period is determined in the year T-1.

Article 40

The operator shall submit to the Agency a request for the determination or change of the amount of tariff items for gas transmission no later than by 1 September of the year T-1 and shall deliver the following data and documentation:

- clear and detailed calculation of the projected allowed revenues and smoothed allowed revenues for all the years of the regulatory period,
- completed Table 1 Total operating expenses of business operations for the year T-2, Table 2 OPEX for the years of the regulatory period, Table 3 Regulated assets, Table 4 Depreciation of regulated assets, Table 5 Elements for determining the WACC, and Table 6 Allowed revenue set out in Appendix 1 of this Methodology,
- clear and detailed distribution of the allowed revenues and the calculation of the amounts of tariff items for gas transmission for all the years of the regulatory period,
- completed Table 1 Tariff items for gas transmission, Table 2 Projected contracted firm capacities of the transmission system on an annual basis, Table 3 Projected contracted firm capacities of the transmission system on a quarterly basis, Table 4 Projected contracted firm capacities of the transmission system on a monthly basis, and Table 5 Projected gas quantity at the exits from the transmission system set out in Appendix 2 of this Methodology,
- financial statement for the year T-2, certified by an authorised auditor,
- operating plan covering all the years of the regulatory period, which includes the financial statements, investment plan and loan repayment plan, and
- any additional data and documentation requested by the Agency.

Article 41

Every year during the regulatory period, no later than by 1 September, the operator shall deliver to the Agency the following data and documentation:

- completed Table 1 Total operating expenses of business operations, Table 3 Regulated assets, Table 4 Depreciation of regulated assets, and Table 6 Allowed revenue set out in Appendix 1 of this Methodology, with actual data for the previous year,
- completed Table 2 Projected contracted firm capacities of the transmission system on an annual basis, Table 3 Projected contracted firm capacities of the transmission system on a quarterly basis, Table 4 Projected contracted firm capacities of the transmission system on a monthly basis, and Table 5 Projected gas quantity at the exits from the transmission system set out in Appendix 2 of this Methodology, with the actual data for the previous year,
- data on realised revenues from the fees for the use of the transmission system according to this Methodology, with separately indicated data on the revenues generated from auction premiums and from the sale of additional firm capacity, for the previous year,
- financial statement for the previous year, certified by an authorised auditor,

- cumulative overview table of the fees charged for the use of the transmission system and of the capacity overrun fees charged to all the users, broken down by user and by types of capacity and gas quantity, for each month of the previous year, and
- any additional data and documentation requested by the Agency.

Article 42

In order to perform regular audits of the allowed revenues for the previous regulatory period, in the year that follows the last year of the previous regulatory period, i.e. in the first year of the current regulatory period, and no later than by 1 September, the operator shall submit to the Agency a request for the determination or change of the amount of tariff items for gas transmission, and shall deliver:

- data and documentation referred to in Articles 41 and 42 of this Methodology, with the actual data for the previous regulatory period,
- calculation regarding the determination of the difference between the audited allowed revenues and the realised revenues referred to in Article 23 of this Methodology for the previous regulatory period,
- correction of the calculation of the projected allowed revenues and the smoothed allowed revenues for the second and subsequent years of the current regulatory period,
- correction of the distribution of allowed revenues and of the calculation of the amounts of tariff items for gas transmission for the second and subsequent years of the current regulatory period.

Article 43

When submitting the request for the determination or change of the amount of tariff items for gas transmission, the operator may also propose the amount of the tariff item for the separate zone.

Article 44

All the data and documentation submitted by the operator together with the request for the determination or change of the amount of tariff items for gas transmission shall be signed by the authorised person and stamped.

Article 45

The Agency shall submit the decision on the amount of tariff items for gas transmission to the operator and shall have it published for all the years of the regulatory period no later than by 15 December of the year T-1, and for the second and subsequent years of the regulatory period upon the regular audit carried out for the allowed revenues no later than by 15 December of the first year of the regulatory period.

Article 46

The application of this Methodology shall be monitored by the Agency.

VIII. TRANSITIONAL AND FINAL PROVISIONS

Article 47

- (1) The first regulatory period begins on 1 January 2014, and ends on 31 December 2016.
- (2) In the first regulatory period the efficiency coefficient (X) stands at zero (0).

Article 48

- (1) For the first regulatory period, the allowed base OPEX amount in the year T-2 ($OPEX^{DOZ}_{2012}$) referred to in Article 10, paragraph 8 of this Methodology, is determined based on the reasonable OPEX amount incurred by the operator in the year T-2 (2012) and according to Table 1 Total operating expenses of business operations set out in Appendix 1, constituting an integral part of this Methodology.
- (2) The projected OPEX amount for the year T-1 ($OPEX^P_{2013}$) may also include the additional reasonable OPEX amount which did not exist in the year T-2 and which is not included in the allowed base OPEX amount in the year T-2 ($OPEX^{DOZ}_{2012}$) referred to in Article 10, paragraph 8 of this Methodology, and which results from the liabilities of the operator based on the amendments to the provisions of legislation and secondary legislation and other circumstances causing a significant increase in the projected OPEX amount for the year T-1 (2013) in comparison with the year T-2 (2012).
- (3) For the first regulatory period, the audited base amount of the allowed OPEX for the year T-1 ($OPEX^{DOZ}_{2013}$) referred to in Article 17, paragraph 3 of this Methodology is determined based on the reasonable OPEX amount incurred by the operator in the year T-1 (2013) and according to Table 1 Total operating expenses of business operations set out in Appendix 1, constituting an integral part of this Methodology.

Article 49

- (1) The operator shall make a change in the expected useful life of assets in accordance with Article 11 of this Methodology and in compliance with the international accounting standards related to the changes in accounting assessments, for each asset separately, until the beginning of the first regulatory period, i.e. with the beginning of application as of 1 January 2014.
- (2) The operator shall align the change in the expected useful life of assets referred to in paragraph 1 of this Article with the submission of the request for the determination or change of the amount of tariff items for gas transmission for the first regulatory period.

Article 50

By way of derogation from Article 41 of this Methodology, in the year preceding the first year of the first regulatory period, the operator shall submit a request for the determination or change of the amount of tariff items for gas transmission within 15 days from the date of entry into force of this Methodology.

Article 51

In the event that the decision on the amount of tariff items for gas transmission under the provisions of this Methodology enters into force after 1 January 2014, the period beginning with the entry into force of the decision on the amount of tariff items for gas transmission under the provisions of this Methodology, and ending on 31 December, shall be taken into consideration in

order to determine the difference between the audited allowed revenues and the realised revenues for the years of the regulatory period referred to in Article 23 of this Methodology.

Article 52

Should the Agency fail to determine the amount of tariff items by the beginning of the regulatory period, until their determination the effective tariff items shall be applied.

Article 53

By way of derogation from the provisions under Article 41 of this Methodology, the new operator who obtains the permit for performing the energy activity of gas transmission after 1 January 2014, may submit a request for the determination of the amount of tariff items for gas transmission during the regulatory period, in which case the allowed revenues and the amount of tariff items are determined for the remaining part of the regulatory period.

Article 54

The operator shall draft a final calculation of the fee for the use of the transmission system of the gas pipeline in accordance with the Tariff System for Natural Gas Transmission without the Amount of Tariff Items ("Official Gazette", numbers 32/06, 3/07 and 63/12) for the billing year with the last day in the month preceding the date of entry into force of the decision on the amount of tariff items for gas transmission under the provisions of this Methodology.

Article 55

(1) The Tariff System for Natural Gas Transmission without the Amount of Tariff Items ("Official Gazette", numbers 134/11 and 2/12) shall become ineffective on the date of entry into force of this Methodology.

(2) The provisions of the Tariff System for Natural Gas Transmission without the Amount of Tariff Items ("Official Gazette", numbers 32/06, 3/07 and 63/12), whereby the calculation and charging of the fee for the use of the transmission system of gas pipelines are determined, shall become ineffective on the date of entry into force of the decision on the amount of tariff items for gas transmission under the provisions of this Methodology.

Article 56

This Methodology shall enter into force on the eighth day after its publication in the "Official Gazette".

President of the Board of Commissioners

Tomislav Jureković, BSc Eng

Class: 307-01/13-01/08

Reg. No.: 371-01/13-03

Zagreb, 21 June 2013

APPENDIX 1

Table 1 Total operating expenses of business operations

No.	Items	Amount (HRK)
1	MATERIAL EXPENSES	
1.1	Raw material and material expenses – for the production of goods and services (specify)	
1.2	Material expenses relating to administration, management and sales (specify)	
1.3	Research and development expenses	
1.4	Small inventory, packaging and car tires expenses	
1.5	Consumed spare parts and materials for maintenance (specify)	
1.6	Consumed energy (1.6.1+ 1.6.2+ 1.6.3+ 1.6.4)	
1.6.1	<i>Electricity</i>	
1.6.2	<i>Gas, steam, briquettes and wood</i>	
1.6.3	<i>Fuel expenses</i>	
1.6.4	<i>Other energy expenses (specify)</i>	
1.7	Other material expenses (specify)	
	TOTAL 1	
2	GAS PURCHASE EXPENSES (for each item specify the purchased quantity in kWh and average unit price in HRK/kWh)	
2.1	Plant losses and difference in measurement	
2.2	Plant's own use	
2.3	Line pack	
2.4	Operating supplies	
	TOTAL 2	
3	OTHER EXTERNAL EXPENSES – SERVICE EXPENSES	
3.1	Telephone, transportation and similar expenses	
3.2	Expenses arising from external services in the production of goods and provision of services	
3.3	Maintenance and security services – maintenance services (3.3.1+ 3.3.2+ 3.3.3+ 3.3.4+ 3.3.5+ 3.3.6+ 3.3.7)	
3.3.1	<i>Procured services relating to routine maintenance (without own materials and parts)</i>	
3.3.2	<i>Procured services relating to investment maintenance (without own materials and parts)</i>	
3.3.3	<i>Cleaning and washing services</i>	
3.3.4	<i>Services relating to software and website maintenance</i>	
3.3.5	<i>Services relating to occupational health and safety and environmental maintenance</i>	
3.3.6	<i>Security guard services of guarding the property and persons</i>	
3.3.7	<i>Other maintenance services and personal services (specify)</i>	
3.4	Services relating to registration of means of transport and licenses expenses	
3.5	Leasing services (3.5.1+ 3.5.2+ 3.5.3+ 3.5.4)	
3.5.1	<i>Lease – rental of real estate</i>	

3.5.2	<i>Equipment leasing</i>	
3.5.3	<i>Services relating to operating equipment leasing</i>	
3.5.4	<i>Other leasing services expenses (specify)</i>	
3.6	Advertising and sponsorship services and trade fair expenses (specify)	
3.7	Intellectual and personal services (3.7.1+ 3.7.2+ 3.7.3+ 3.7.4+ 3.7.5+ 3.7.6+ 3.7.7+ 3.7.8)	
3.7.1	<i>Other income expenses (temporary service contracts, sales agents, consultants)</i>	
3.7.2	<i>Specialist education services, scientific research services, information services, etc.</i>	
3.7.3	<i>Consulting and advisory services</i>	
3.7.4	<i>Bookkeeping services</i>	
3.7.5	<i>Services relating to auditing and company value assessment</i>	
3.7.6	<i>Attorney and notary public services and services relating to drafting of legal documents</i>	
3.7.7	<i>Services relating to auditing and company value assessment</i>	
3.7.8	<i>Other services (specify)</i>	
3.8	Utilities and similar services expenses	
3.9	Entertainment expenses – hospitality and mediation	
3.10	Expenses relating to other external services (specify)	
	TOTAL 3	
4	PERSONNEL EXPENSES – SALARIES	
4.1	Net salaries and compensations	
4.2	Tax and surtax expenses	
4.3	Expenses relating to contributions from salaries	
4.4	Contributions to salaries	
	Number of employees in the energy activity (as at 31 December)	
	TOTAL 4	
5	OTHER OPERATING EXPENSES	
5.1	Daily allowance for business trips and travel expenses	
5.2	Expense reimbursement, gifts and grants (5.2.1+ 5.2.2+ 5.2.3+ 5.2.4+ 5.2.5+ 5.2.6+ 5.2.7+ 5.2.8)	
5.2.1	<i>Commuting expenses</i>	
5.2.2	<i>Local travel expenses (compensation for the use of private car for business purposes)</i>	
5.2.3	<i>Scholarships, elementary and high school student awards</i>	
5.2.4	<i>Severance pays</i>	
5.2.5	<i>Gifts for children and similar aids (if not income)</i>	
5.2.6	<i>Occasional awards (Christmas and Easter bonuses, gifts in kind, recourse, jubilee awards and similar)</i>	
5.2.7	<i>Aid due to illness, disability, death, natural disasters and similar</i>	
5.2.8	<i>Other employee expenses (specify)</i>	
5.3	Expenses relating to members of the Management Board (specify)	
5.4	(Internal) entertainment and promotion expenses (internal)	
5.5	Insurance premiums (5.5.1+ 5.5.2+ 5.5.3+ 5.5.4)	
5.5.1	<i>Insurance expenses of fixed tangible and intangible assets</i>	
5.5.2	<i>Insurance premiums for individuals (hazardous jobs, transferring cash,</i>	

	<i>passengers and similar)</i>	
5.5.3	<i>Insurance premiums for means of transport (including all-risk insurance)</i>	
5.5.4	<i>Premiums for other forms of insurance (specify)</i>	
5.6	Banking services and payment system expenses	
5.7	Membership fees, compensations and similar expenses	
5.8	Taxes not depending on income and fees (specify)	
5.9	Expenses relating to the right to use (except for leases) (5.9.1+ 5.9.2)	
5.9.1	<i>Concession expenses</i>	
5.9.2	<i>Other expenses relating to the right to use (specify)</i>	
5.10	Other operating expenses – intangible (specify)	
	TOTAL 5	
6.	VALUE ADJUSTMENT	
6.1	Value adjustment of fixed intangible assets	
6.2	Value adjustment of fixed tangible assets (specify)	
6.3	Value adjustment of long-term receivables	
6.4	Value adjustment of bank deposits, bills of exchange, cheques and similar	
6.5	Value adjustment of short-term receivables (specify)	
6.6	Inventory value adjustment	
6.7	Value adjustment of given advances	
	TOTAL 6	
7	PROVISIONS	
7.1	Expenses of long-term provisions for risks in the warranty (guarantee) period	
7.2	Expenses of long-term provisions for losses arising from initiated court disputes	
7.3	Expenses of long-term provisions for severance pays	
7.4	Expenses of long-term provisions for company restructuring	
7.5	Expenses of long-term provisions for pensions and similar expenses – liabilities	
7.6	Expenses of provisions arising from harmful contracts	
7.7	Other long-term provisions and risk expenses (specify)	
	TOTAL 7	
8	OTHER OPERATING EXPENDITURES	
8.1	Expenses of subsequent discounts, lowering prices, complaints and sample expenses	
8.2	Write-offs of receivables not adjusted in terms of value	
8.3	Expenditures-write-offs of intangible and tangible assets	
8.4	Fines, penalties, indemnities and expenses arising from contracts	
8.5	Other operating expenditures (specify)	
	TOTAL 8	
	TOTAL (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8)	

Table 2 OPEX for the years of the regulatory period

<i>Year of the regulatory period</i>	<i>T-2</i>	<i>T-1</i>	<i>T</i>	<i>T+1</i>	<i>T+2*</i>
OPEX (HRK)					
Consumer Price Index – CPI (%)	-				
Efficiency coefficient – X (%)	-				

* For the second and subsequent regulatory periods add columns for regulatory years T+3 and T+4

NOTE: OPEX for the year T-2 pertains to the base OPEX amount, whereas operating expenses for the year T-1 pertain to the projected OPEX amount or the base OPEX amount within regular audit of the allowed revenue.

Table 3 Regulated assets

<i>Year of the regulatory period</i>	<i>T-2</i>	<i>T-1</i>	<i>T</i>	<i>T+1</i>	<i>T+2*</i>
Average amount of regulated assets – RO_{pros} (HRK)	-	-			
Regulated assets at the end of the regulatory period – RO (kn)					
Tangible assets					
<i>Land</i>					
<i>Buildings</i>					
<i>Plants and equipment</i>					
<i>Tools</i>					
<i>Other</i>					
Intangible assets					
New investments in the transmission system put into use in the regulatory period – I (HRK)					
Tangible assets					
<i>Land</i>					
<i>Buildings</i>					
<i>Plants and equipment</i>					
<i>Tools</i>					
<i>Other</i>					
Intangible assets					
Depreciation – A (HRK)					
Non-repayable funds – S_{besp} (HRK)					
Sold and disposed assets – OR (HRK)					

* For the second and subsequent regulatory period add columns for the regulatory years T+3 and T+4

Table 4 Depreciation of regulated assets*

Regulatory year _____					
No.	Regulated assets structure	Purchase value (HRK)	Annual depreciation rate (%)	Amount of annual depreciation (HRK)	Net book value as at 31 December of the regulatory year (HRK)
1	Tangible assets				
1.1	<i>Buildings</i>				
1.2	<i>Plants and equipment</i>				
1.3	<i>Tools</i>				
1.4	<i>Other</i>				
2	Intangible assets				
	TOTAL (1+2)		-		

* A separate table shall be completed for each year of the regulatory period.

NOTE: If in one of the groups of regulated assets depreciation is calculated at multiple rates for different bases, i.e. regulated assets type, the bases shall be specified for each rate separately.

Table 5 Elements for determining the WACC

No.	WACC elements	Amount
1	Rate of return on equity – r_e (%) (1.1+ 1.2 x 1.3)	
1.1	<i>Risk-free rate of return – r_f (%)</i>	
1.2	<i>Coefficient of variability of return on the operator's shares in relation to the average variability of return on the market portfolio – β</i>	
1.3	<i>Market risk premium – $r_m - r_f$ (%)</i>	
1.4	<i>Rate of return on the diversified market portfolio – r_m (%)</i>	
2	Share of equity in total capital (%) – $E/(E+D)$ (%)	50
3	Rate of return on debt – r_d (%)	
4	Share of debt in total capital (%) – $D/(E+D)$ (%)	50
5	Rate of return on profit – P (%)	
	Projected WACC amount for the regulatory period – $WACC^P$ (%) (1/(1-5) x 2 + 3 x 4)	

Table 6 Allowed revenue

No.	Year of the regulatory period	<i>T</i>	<i>T+1</i>	<i>T+2*</i>
1	Operating expenses of business operations – OPEX (HRK)			
2	Depreciation of regulated assets – A (HRK)			
3	Return on regulated assets – PRO (HRK)			
4	Part of the difference between the audited allowed revenues and actual revenues in the previous regulatory period – PVδ (HRK)			
5a	Revenues from the fee for the connection and increase in the connection capacity – P_{PRIK} (HRK)			
5b	Revenue from non-standard services – P_{NU} (HRK)			
5c	Other operating revenue – P_{OST} (HRK)			
	Allowed revenue – DP (HRK) (1+ 2+ 3+ 4 - (5a+ 5b+ 5c))			
	Smoothed allowed revenue – DPα (HRK)			

* For the second and subsequent regulatory periods add columns for the regulatory years *T+3* and *T+4*

APPENDIX 2

Table 1 Tariff items for gas transmission

Tariff item type	Tariff item mark	Tariff item name	Tariff items for the years of the regulatory period (without VAT)			Measuring unit
			<i>T</i>	<i>T+1</i>	<i>T+2*</i>	
Tariff items for contracted firm capacity on an annual basis for the entries into the transmission system	T _{U,IN}	Tariff item for the entry at interconnection				HRK/kWh/day
	T _{U,PR}	Tariff item for the entry from production				HRK/kWh/day
	T _{U,SK}	Tariff item for the entry from the gas storage system				HRK/kWh/day
	T _{U,UPP}	Tariff item for the entry from the LNG terminal				HRK/kWh/day
Tariff items for contracted firm capacity on an annual basis for the exits from the transmission system	T _{I,IN}	Tariff item for the exit at interconnection				HRK/kWh/day
	T _{I,HR}	Tariff item for the exit in Croatia				HRK/kWh/day
	T _{I,ZZ}	Tariff item for the exit in the separate zone				HRK/kWh/day
Tariff item for gas quantity at the exits from the transmission system	T _K	Tariff item for gas quantity				HRK/kWh

* For the second and subsequent regulatory periods add columns for the regulatory years *T+3* and *T+4*

Table 2 Projected contracted firm capacity of the transmission system on an annual basis

Entry/exit group	Mark	<i>T</i>	<i>T+1</i>	<i>T+2*</i>
Entries at interconnections (kWh/day)	KAP _{U,IN}			
Entries from production (kWh/day)	KAP _{U,PR}			
Entries from the gas storage system (kWh/day)	KAP _{U,SK}			
Entries from the LNG terminal (kWh/day)	KAP _{U,UPP}			
Exits at interconnections (kWh/day)	KAP _{I,IN}			
Exits in Croatia (kWh/day)	KAP _{I,HR}			

* For the second and subsequent regulatory periods add columns for the regulatory years *T+3* and *T+4*.

NOTE: The capacities should be indicated cumulatively for specific groups of entries into and exits from the transmission system, and specified according to specific users separately for each group of entries into and exits from the transmission system.

Table 3 Projected contracted firm capacities of the transmission system on a quarterly basis *

Entry/exit group	Mark	Sum of projected contracted firm capacities on a quarterly basis by quarter (kWh/day)			
		<i>I</i> October, November, December	<i>II</i> January, February, March	<i>III</i> April, May, June	<i>IV</i> July, August, September
Entries at interconnections	KAP _{U,IN,tm}				
Entries from production	KAP _{U,PR,tm}				
Entries from the gas storage system	KAP _{U,SK,tm}				
Entries from the LNG terminal	KAP _{U,UPP,tm}				
Exits at interconnections	KAP _{I,IN,tm}				
Exits in Croatia	KAP _{I,HR,tm}				

* A separate table should be completed for each year of the regulatory period.

NOTE: The capacities should be indicated cumulatively for specific groups of entries into and exits from the transmission system, and specified per specific users separately for each group of entries into and exits from the transmission system.

Table 4 Projected contracted firm capacities of the transmission system on a monthly basis*

Entry/exit group	Mark	Sum of projected contracted firm capacities on a monthly basis by month (kWh/day)											
		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>VIII</i>	<i>IX</i>	<i>X</i>	<i>XI</i>	<i>XII</i>
Entries at interconnections	KAP _{U,IN,m}												
Entries from production	KAP _{U,PR,m}												
Entries from the gas storage system	KAP _{U,SK,m}												
Entries from the LNG terminal	KAP _{U,UPP,m}												
Exits at interconnections	KAP _{I,IN,m}												
Exits in Croatia	KAP _{I,HR,m}												

* A separate table should be completed for each year of the regulatory period

NOTE: The capacities should be indicated cumulatively for specific groups of entries into and exits from the transmission system, and specified per specific users separately for each group of entries into and exits from the transmission system.

Table 5 Projected gas quantity at the exits from the transmission system

<i>Regulatory period year</i>	<i>T</i>	<i>T+1</i>	<i>T+2*</i>
Total projected gas quantity at the exits from the transmission system (kWh)			

* For the second and subsequent regulatory periods add columns for the regulatory years T+3 and T+4

These Amendments to the Methodology shall be published in the “Official Gazette” and shall enter into force on 1 November 2015.

Class: 011-01/15-01/13

Reg. No. : 371-01/15-03

Zagreb, 26 October 2015