

REGULATORY OFFICE FOR NETWORK INDUSTRIES

Tomášikova 28C, 821 01 Bratislava 3, Slovak Republic

Consultation on discounts, multipliers and seasonal factors in accordance with Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (hereinafter referred also to as “Consultation” or “Consultation Document”)

Target group

National regulatory authorities of the directly connected EU Member States with the Slovak Republic, particularly:

- E-Control, with its seat at Rudolfsplatz 13a, 1010 Wien, Austria
- Energetický regulační úřad, with its seat at Masarykovo náměstí 91/5, 586 01 Jihlava, Czech Republic
- Magyar Energetikai és Közmű-szabályozási Hivatal, with its seat at H-1054 Budapest, Bajcsy-Zsilinszky út 52, H-1388 Budapest, Pf. 89, Hungary
- Urząd Regulacji Energetyki, with its seat at Towarowa 25a, 00-869 Warszawa, Poland

eustream, a.s. (transmission system operator), with its seat at Votrubova 11/A, 821 09 Bratislava, Slovak Republic

Other relevant stakeholders

The subject of the Consultation

Article 28 of the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

Summary

The Regulatory Office for Network Industries (hereinafter referred also to as the “**Office**”) is consulting a proposal relating to the implementation of Article 28 of the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (hereinafter referred also to as the “**TAR NC**”)¹ in the Slovak Republic.

The subject of this Consultation Document is, in accordance with Article 28 of the TAR NC, the Office's proposal regarding the following aspects:

- 1) the level of multipliers;
- 2) non-application of the seasonal factors;
- 3) non-application of the discounts at the entry points from LNG facilities and non-application of the discounts at the entry/exit points from/to infrastructure ending isolation of Member States set out in Articles 9(2) of the TAR NC;
- 4) the discount for standard capacity products for interruptible capacity in accordance with the Article 16 of the TAR NC.

After the conclusion of the Consultation, subject to responses the Office receives, the Office will follow this Consultation with their evaluation and subsequent issuance and publication of the motivated decision of the Office on the aspects referred to in point 1), 2), 3) and 4) above in accordance with the Article 41(6)(a) of the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (hereinafter referred also to as the “**Decision**”). The Office will consider the positions of national regulatory authorities of directly connected Member States with the Slovak Republic and also the feedback from the other relevant stakeholders prior to the issuance of the motivated Decision of the Office.

The Office proposes to apply the parameters according to Article 28(1)(a), (b) and (c) of the TAR NC relating to the transmission system in the defined territory of the Slovak Republic, determined on the basis of this Consultation, in the period from 1 January 2025, until the end of the current tariff/regulation period² (31 December 2027).

¹ Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas, (OJ EU, L 72/29, 17.3.2017)

² The tariff period is the same as the regulatory period. The regulatory period is determined by the Regulatory Policy of the Office. The current regulatory period was set for a period of five calendar years from 1 January 2023 to 31 December 2027.

1. Introduction

Context

The TAR NC was adopted in accordance with Regulation (EC) No 715/2009 of the European Parliament and of the Council (EC) of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 with the objective to contribute to market integration, to enhance security of supply and to promote interconnections between gas transmission networks. A crucial step in reaching these objectives is to increase the transparency of transmission tariff structures and procedures towards setting them. The TAR NC was published in the Official Journal of the EU on 17 March 2017 and it entered into force 20 days later, on 6 April 2017.

The TAR NC establishes a network code setting out the rules on harmonised transmission tariff structures for gas, including rules on the application of a reference price methodology, the associated consultations and publication requirements as well as the calculation of reserve prices for standard capacity products. TAR NC shall be binding in its entirety and directly applicable in all Member States.³

Consultations in general

Important chapter to the requirements of TAR NC is the Chapter VII – Consultation requirements. The Chapter VII of the TAR NC distinguishes between:

- (i) Article 26 and Article 27 address the periodic consultation that shall be repeated at least every five years starting from 31 May 2019. The 31 May 2019 is designated in TAR NC as a final deadline till which the procedure consisting of the final consultation on the reference price methodology in accordance with the Article 26 of the TAR NC, the respective decision of the national regulatory authority in accordance with the Article 27(4) of the TAR NC, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII of the TAR NC shall be concluded. This procedure shall be repeated at least every five years starting from 31 May 2019;
- (ii) Article 28 which deals with additional aspects not mentioned in the Article 26 of the TAR NC such as multipliers, seasonal factors and discounts set out in the Article 9(2) and 16 of the TAR NC which shall be the subject to consultation every tariff period as from the first decision of the national regulatory authority mentioned in the Article 28 of the TAR NC. After each consultation, the Office shall take and publish a motivated decision on the aspects referred to in Article 28 (1) of the TAR NC.

The responsibility for the Consultation according to Article 28 of the TAR NC and issuance of a motivated Decision is, in accordance with the TAR NC, delegated to the Regulatory Office for Network Industries as the national regulatory authority responsible for the area of regulation of network industries with nationwide scope.

³ Any reference to the Article(s) mentioned in this Consultation document is considered to be the Article(s) of the TAR NC.

As per TAR NC, the scope of this Consultation is limited to the EU interconnection points only⁴. The Consultation is strictly limited to the following interconnection points (hereinafter referred also to as "EU interconnection points"):

- Lanžhot – entry/exit point from/to the transmission network of gas facilities on the territory of the Czech Republic
- Baumgarten – entry/exit point from/to the transmission network of gas facilities on the territory of Austria
- Veľké Zlievce – entry/exit point from/to the transmission network of gas facilities on the territory of Hungary
- Výrava – entry/exit point from/to the transmission network of gas facilities on the territory of Poland

Before adopting a motivated Decision, the Office will consider the Consultation responses received and the aspects set out in the Article 28 (3) of the TAR NC.

⁴ Entry/exit points Lanžhot, Baumgarten, Veľké Zlievce and Výrava are interconnection points according to the Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (OJ EU, L 72/1, 17.3.2017).

2. Subject of the Consultation - proposal on the aspects referred to in the Article 28 of the TAR NC

The subject of the Consultation Document is the proposal of parameters according to Article 28 (1) (a), (b) and (c) of the TAR NC relating to the transmission system in the defined territory of the Slovak Republic, the operator of which is the company eustream, a.s. with registered office at Votrubova 11/A, 821 09 Bratislava, Slovak Republic.

The Office proposes to apply the parameters according to Article 28(1)(a), (b) and (c) of the TAR NC relating to the transmission system in the defined territory of the Slovak Republic, determined on the basis of this Consultation, in the period from 1 January 2025, until the end of the current tariff/regulation period (31 December 2027).

As stated in the introduction of the Consultation Document, in terms of TAR NC, this Consultation applies exclusively to EU interconnection points.

1) Proposal for the levels of multipliers (pursuant to the Article 28 (1)(a) of the TAR NC)

The Office proposes the following levels of multipliers for non-yearly standard capacity products:

Type of non-yearly standard capacity product	Multiplier
Quarterly standard capacity products	1.50
Monthly standard capacity products	1.50
Daily standard capacity products	2.993
Within-day standard capacity products	2.993

When adopting the Decision, the Office will take into account all relevant aspects referred to in Article 28(3) of the TAR NC concerning the multipliers.

In comparison with the currently applied level of multipliers, which was determined by the decision of the Office No. 0040/2019/P dated 29 May 2019 (point 12.1.), the proposed levels of multipliers remain unchanged.

2) The proposal for the non-application of the seasonal factors (pursuant to the Article 28 (1)(b) of the TAR NC)

The Office proposes the non-application of the seasonal factors for access to the transmission system and gas transmission.

For comparison with the current state, according to the decision of the Office No. 0040/2019/P dated 29 May 2019 (point 12.2.), seasonal factors for access to the transmission system and gas transmission are currently not applied.

3) Proposal for the non-application of the discounts at the entry points from LNG facilities nor at the entry/exit points from/to infrastructure ending isolation – Article 9(2) of the TAR NC (pursuant to the Article 28 (1)(c) of the TAR NC)

The Office proposes non-application of the discounts at the entry points from LNG facilities and also non-application of the discounts at entry points from and exit points to the infrastructure developed with the purpose of ending isolation of Member States as there are currently no LNG facilities neither infrastructure ending isolation in the Slovak Republic.

For comparison with the current state, according to the decision of the Office No. 0040/2019/P dated 29 May 2019 (point 12.3.), discounts on entry points from LNG facilities or discounts on entry/exit points from/to infrastructure developed with the aim of ending the isolation of Member States are not currently applied.

4) Proposal for the level of discount for the reserve prices for standard capacity products for interruptible capacity – Article 16 of the TAR NC (pursuant to the Article 28 (1)(c) of the TAR NC)

The Office proposes to apply an ex-ante principle for the calculation of the discount for the reserve prices for standard capacity products for interruptible capacity.

The reserve prices for standard capacity products for interruptible capacity are proposed to be calculated by multiplying the reserve prices for the respective standard capacity products for firm capacity calculated in line with Article 14 of the TAR NC, and the difference between 100% and the level of an ex-ante discount.

The ex-ante discount is proposed to be calculated according to the following formula:

$$D_{i_{\text{ex-ante}}} = \text{Pro} \times A \times 100 \%$$

Where:

$D_{i_{\text{ex-ante}}}$ is the level of an ex-ante discount,

Pro is the factor, which represents the probability of interruption, and which refers to the type of standard capacity product for interruptible capacity,

A is the adjustment factor applied to reflect the estimated economic value of the type of standard capacity product for interruptible capacity, calculated for all EU interconnection points, which shall be no less than 1.

The Pro factor is proposed to be calculated for all EU interconnection points per type of standard capacity product for interruptible capacity offered in accordance with the following formula on the basis of forecasted information related to the components of this formula:

$$\text{Pro} = \frac{N \times D_{\text{int}}}{D} \times \frac{\text{CAP}_{\text{av. int}}}{\text{CAP}}$$

Where:

N is the expectation of the number of interruptions over the period D,

D_{int} is the average duration of the expected interruptions expressed in hours,

D is the total duration of the respective type of standard capacity product for interruptible capacity expressed in hours,

$CAP_{av. int}$ is the expected average amount of interrupted capacity for each interruption where such amount is related to the respective type of standard capacity product for interruptible capacity,

CAP is the total amount of interruptible capacity for the respective type of standard capacity product for interruptible capacity.

According to the information provided by the transmission system operator, the company eustream, a.s., physical interruption of the interruptible capacity has never occurred. This is caused mainly due to the fact of (i) sufficient capacity of each interconnection point and (ii) repeated nominations of shippers in both directions at each interconnection point, which results in decreasing physical transmission of gas. Since this situation is not assumed to be changed, for the purpose of calculation of Pro factor, the Office considers that interruption of the interruptible capacity may occur once a year (which means that the total interruptible capacity for each interruptible product will be interrupted during 24 hours in a given year). In such case:

$$Pro = \frac{N \times D_{int}}{D} \times \frac{CAP_{av.int}}{CAP}$$

$$Pro = \frac{1 \times 24}{24 \times 365} \times 1$$

$$Pro = \frac{24}{8760}$$

$$Pro = 0.00274$$

Pro factor is evaluated to be 0.00274. It is caused by the sufficient technical capacity of eustream, a.s., which is either not fully utilized or it is utilized in both transmission directions at the same time.

Adjustment factor A is proposed to be 1. This results into the following, proposed level of ex-ante discount:

$$Di_{ex-ante} = 0.00274 \times 1 \times 100 \%$$

$$D_{i_{\text{ex-ante}}} = 0.274 \%$$

In comparison with the currently applied level of discount on reserve prices for standard capacity products for interruptible capacity which was determined in accordance with the decision of the Office No. 0040/2019/P dated 29 May 2019 (point 12.4.), there is no change in the Office's proposal in the proposed level of the discount on the reserve prices for standard capacity products for interruptible capacity.

3. Procedure for submission of the responses within the Consultation

The Office expects to receive feedback to the proposal listed in this Consultation Document by 08.05.2024 (including). The Office will not consider responses received after this deadline. Please submit your responses by e-mail to the e-mail address: plyn@urso.gov.sk.

Stakeholders are entitled to ask the Office for keeping their responses confidential. In case of a certain response to be kept confidential, it should be clearly marked to that effect and include reasons.

This document is published in Slovak as well as English language version. In case of different interpretations, the Slovak version will prevail.

In order to avoid any doubts, the Office fulfils and follows the GDPR requirements. For more information, please visit the website of the Office www.urso.gov.sk.

4. Next steps

After the conclusion of the Consultation, the Office will carry out a detailed evaluation of the responses received during the Consultation. Subsequently, the Office will adopt a motivated Decision on the aspects referred to in the Article 28(1) of the TAR NC in accordance with the Article 41(6)(a) of the Directive 2009/73/ES of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC. The Office will consider the positions of the national regulatory authorities of the directly connected Member States with the Slovak Republic as well as the responses received from other relevant stakeholders prior to the issuance of the Decision. When adopting the Decision, the Office will take into account all relevant aspects listed in Article 28(3) of the TAR NC.