# Comparison between

# Initial Draft Network Code on

# Harmonised Transmission Tariff Structures for Gas

# for Public Consultation

# (30 May 2014)

# and

# Refined Draft Network Code on

# Harmonised Transmission Tariff Structures for Gas

# for Stakeholder Support Process

# (7 November 2014)

ENTSOG Working Level Document

**WHAT HAPPENED?** The Network Code on Harmonised Transmission Tariff Structures for Gas (hereinafter referred to as the 'TAR NC') is being developed by ENTSOG, an organisation currently comprising 44 TSO Members from 23 European countries ([1]), in accordance with the task per Article 8(1) of Regulation (EC) No 715/2009 ([2]) and following the process foreseen by its Article 6. The process was triggered by an invitation letter from the European Commission to draft a Network Code on Tariff Structures in Gas Transmission Networks which was received by ENTSOG on 19 December 2013 ([3]). The development of this network code is based on Framework Guidelines on rules regarding harmonised transmission tariff structures for gas published on 29 November 2013 ([4]) by the Agency for the Cooperation of Energy Regulators (hereinafter referred to as the 'ACER').

The initial draft TAR NC ([5]) underwent a 2-month public consultation from 30 May to 30 July 2014 ([6]). The Supporting Document ([7]) which accompanied the initial draft TAR NC provided clarifications and explanations for its content and encompassed the consultation questions. Having considered the consultation responses as well as the informal feedback received from ACER, ENTSOG produced the refined draft TAR NC ([8]) which is subject to a public consultation in

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([1]) As well as 3 Associated Partners from another 3 European countries and 4 Observers from EU affiliate countries. See details on ENTSOG's website: http://www.entsog.eu/members.

([2]) Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (OJ L 211, 14.8.2009, p. 36).

([3]) http://www.entsog.eu/public/uploads/files/publications/Tariffs/2013/20131217%20Invitation%20ENTSOG%20draft%20NC%20TAR.pdf.

([4]) http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Framework_Guidelines/Framework%20Guidelines/Framework%20Guidelines%20on%20Harmonised%20Gas%20Transmission%20Tariff%20Structures.pdf.

([5]) Ref. TAR200-14: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR200-14_Initial%20Draft%20TAR%20NC_for%20consultation.pdf.

([6]) For further information, refer to: (1) Initial Draft TAR NC – Non-Confidential Responses to Consultation // Ref. TAR334-14: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR334-14_Initial%20Draft%20TAR%20NC%20Non-Confidential%20Responses%20to%20Consultation_Reader%20Friendly%20Format.pdf;
(2) Initial Draft TAR NC – Consultation Responses Report // Ref. TAR0335-14: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR0335_140911_Consultation%20Response%20Report_Summary_250914.pdf.

([7]) Ref. TAR300-14: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR300-14_Initial%20Draft%20TAR%20NC%20Supporting%20Document_for%20consultation.pdf.

([8]) Ref. TAR0350-14:
http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR0350_141107_Refined%20Draft%20TAR%20NC_for%20SSP.pdf.

a form of Stakeholder Support Process from 7 to 21 November 2014. This consultation provides stakeholders with an opportunity to express their support of or their disapproval with the refined draft TAR NC ([1]). The refined draft TAR NC is accompanied by the Analysis of Decisions Document ([2]) which clarifies the chosen policy approaches and explains the refinements made to the initial draft TAR NC.

**WHAT IS THIS DOCUMENT?** This document represents the comparison between the initial draft TAR NC and the refined draft TAR NC. It has been prepared by ENTSOG as a working level document for the convenience of the public and for information purposes only. This document is designed to help the market with easy identification of the changes made to the legal text after the 2-month consultation on the initial draft TAR NC. The correlation table between the Articles of the initial draft TAR NC and of the refined draft TAR NC is also provided in this document. In case of inconsistency between the refined draft TAR NC and this document, the refined draft TAR NC shall prevail in all circumstances.

Any and all interested parties, in their capacity as professional stakeholders, shall be responsible for seeking to obtain the accurate and relevant information needed for their own assessment and decision to respond to the public consultation on the refined draft TAR NC. ENTSOG hereby disclaim all responsibility for any changes to the refined draft TAR NC as presented. Such changes may result from, amongst others, the results of the public consultation or comitology procedure. The final content of the TAR NC shall be subject to the outcome of the procedure according to Article 5a(1) to (4) and Article 7 of Council Decision 1999/468/EC ([3]), as foreseen by Article 28(2) of Regulation (EC) No 715/2009 ([4]). The content of the refined draft TAR NC and the Analysis of Decisions Document should not be considered to give rise to any specific right or obligation whatsoever to ENTSOG or any of its Members as to any stakeholders.

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([1]) See Article 26(4) of ENTSOG's Rules of Procedure:
http://www.entsog.eu/public/uploads/files/publications/Statutes/2012/LGT0105-12_Rev_1_23%2011%202012_ENTSOG_RoP_Amendment_GA(131212)clean.pdf.
([2]) Ref. TAR0351-14:
http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR0351_141107_Analysis%20of%20Decisions%20Document_for%20SSP.pdf.
([3]) Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the European Commission as amended by Council Decision 2006/512/EC of 17 July 2006 (OJ L 200, 22.7.2006, p. 11).
([4]) Currently Regulation (EC) No 715/2009 provides for the application of the regulatory procedure with scrutiny. In case of the change of the applicable procedure due to the Lisbon Treaty, the new procedure will apply accordingly.

## CORRELATION TABLE

| Initial Draft TAR NC of 30 May 2014 | Refined Draft TAR NC of 7 November 2014 |
|---|---|
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| Article 2 | Article 2 |
| Article 3 | Article 3 |
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**COMMISSION REGULATION (EU) No [xx]/[xx]**

**of [xx]**

**establishing a Network Code on Harmonised Transmission Tariff Structures for Gas**

**(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 ([1]), and in particular Article 6(11) thereof,

Whereas:

(1) Regulation (EC) No 715/2009 sets non-discriminatory rules for access conditions to the natural gas transmission networks with a view to ensuring the proper functioning of the internal market in gas. This Regulation establishing a network code on harmonised transmission tariff structures for gas sets out the Union-wide rules which have the objective to contribute to market integration, to enhance security of supply, to promote competition and cross-border trade, to ensure non-discriminatory and cost-reflective transmission tariffs and to avoid cross-subsidisation between network users.

(2) In order to move towards greater market integration, it is important that, where it is considered to be economically efficient, rules on harmonised transmission tariff structures for gas facilitate the merging of entry-exit systems. Therefore, these rules should not disincentivise such merging.

(3) This Regulation sets out an exhaustive list and details of the possible primary cost allocation methodologies and secondary adjustments. Out of this list, only one primary cost allocation methodology may be applied, complemented, if necessary, by one or more secondary adjustments. Its application is aimed at calculating the reference price, which is the price for a yearly standard capacity product for firm capacity, and constitutes the starting point for the calculation of the reserve prices for non-yearly standard capacity products for firm

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([1]) OJ L 211, 14.8.2009, p. 36.

capacity and both yearly and non-yearly standard capacity products for interruptible capacity. Its application is preceded by a consultation conducted for the purpose of demonstrating the benefits of the proposed cost allocation methodology and assessing them against the benefits of one or more alternative cost allocation methodologies. The national regulatory authority then sets or approves the cost allocation methodology to be applied and when taking this decision, should be guided by considerations of cost-reflectivity, transparency, non-discrimination and tariff stability.

(4) In order to enable network users to forecast transmission tariffs to a reasonable extent and to understand the costs underlying the transmission tariffs, this Regulation sets out the requirements for publishing the information on the parameters of the primary cost allocation methodologies, the applied secondary adjustment(s), if any, and the other information related to the derivation of different transmission tariffs and the reconciliation of the regulatory account.

(5) This Regulation sets out the principles for revenue reconciliation with the aim ~~to~~ of promot~~e~~ing stability of transmission tariffs for network users and financial stability of transmission system operators. To that end, this Regulation stipulates that each transmission system operator is allowed to use only one regulatory account for aggregating the under- and over-recovery originating from all the entry and exit points. The details of the revenue reconciliation, in particular the frequency of the reconciliation of the regulatory account, are to be determined by the national regulatory authority. The under- and over-recovery should be treated by the national regulatory authority consistently.

(6) [This Regulation has been adopted on the basis of Regulation (EC) No 715/2009 which it supplements and of which it forms an integral part. References to Regulation (EC) No 715/2009 in other legal acts shall be understood as also referring to this Regulation. This Regulation does apply to non-exempted capacities in major new infrastructures which have received an exemption from Article 41(6), (8) and (10) of Directive 2009/73/EC of the European Parliament and of the Council ([1]) or from the former Article 25(2) and (4) of Directive 2003/55/EC of the European Parliament and of the Council ([2]) to the extent the application of this Regulation does not undermine such an exemption. This Regulation shall be applied taking into account the specific nature of interconnectors, meaning recognising

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([1]) 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 (OJ L 211, 14.8.2009, p. 94).
([2]) Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC (OJ L 176, 15.7.2003, p. 57).

the characteristics of interconnectors which make them require different regulatory treatment from meshed transmission networks.]

(7) [This Regulation was established according to the procedure as set out in Article 6 of Regulation (EC) No 715/2009. It further harmonises the rules on tariffs for access to networks laid down in Article 13 of Regulation (EC) No 715/2009.]

(8) National regulatory authorities and transmission system operators should have regard to best practices and endeavours to harmonise processes for the implementation of this Regulation. Acting in accordance with Article 7 of Regulation (EC) No 713/2009 of the European Parliament and of the Council ([1]), the Agency and the national regulatory authorities should ensure that rules on harmonised transmission tariff structures for gas are implemented across the Union in the most effective way.

(9) [The measures provided for in this Regulation are in accordance with the opinion of the Committee established pursuant to Article 51 of Directive 2009/73/EC.]

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([1]) Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (OJ L 211, 14.8.2009, p. 1).

CHAPTER I
**GENERAL PROVISIONS**

*Article 1*
**Subject matter**

This Regulation establishes a Network Code setting out the rules on harmonised transmission tariff structures for gas, including but not limited to the rules on tariff-related aspects of Commission Regulation (EU) No 984/2013 ([1]).

*Article 2*
**Scope**

1.  This Regulation shall apply to ~~interconnection~~all entry points and all exit points~~.~~ with the exception of~~ ~~Chapters~~ I, II, III, V and IX~~ V, VII, VIII and IX which shall ~~also~~ apply only to interconnection points~~ other than interconnection points~~.  ~~Where, subject to the decision of the relevant national regulatory authority, Commission Regulation (EU) No 984/2013 applies to points other than interconnection points, this national regulatory authority may decide to apply Chapters IV, VI and VII of this Regulation to those points,~~ *mutatis mutandis.*

2.  ~~Where, s~~Subject to the decision of the relevant national regulatory authority, ~~Commission Regulation (EU) No 984/2013 applies to entry points from and/or exit points to third countries, this national regulatory authority may decide to apply~~ this Regulation~~ to those points.~~ may apply to entry points from and/or exit points to third countries.

3.  This Regulation shall not apply in Member States for the duration of derogations granted under Article 49 of Directive 2009/73/EC.

4.  This Regulation shall be applied taking into account the specific nature of interconnectors, in particular with regard to having an effective revenue recovery mechanism.

*Article 3*
**Definitions**

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([1]) Commission Regulation No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council (OJ L 273, 15.10.2013, p. 5).

For the purposes of this Regulation, the definitions in Article 2 of Regulation (EC) No 715/2009, Article 3 of Commission Regulation (EU) No 984/2013, Article 3 of Commission Regulation (EU) No 312/2014 (¹), Article 2 of Commission Regulation (EU) No [000/00 of XXX] (²) as well as Article 2 of Directive 2009/73/EC shall apply.  In addition, the following definitions shall apply:

(1)     'allowed revenue' means the total revenue that a transmission system operator is entitled to obtain for the provision of ~~all the regulated services~~ transmission services and dedicated services within a given time period under a non-price cap regime set or approved by the national regulatory authority;

(2)     'auction premium' means the difference between the clearing price and the reserve price in an auction;

~~(2)~~(3) 'dedicated services' means the regulated services other than transmission services provided by the transmission system operator to specific network users, or infrastructure operators, or at specific entry or exit points;

~~(3)~~(4) 'locational signal' means the application of differential pricing mechanism~~s for the purpose of incentivising the network users to use~~ applied to specific entry or exit points ~~of the transmission system~~ in order to achieve an efficient operation of the transmission system and/or to encourage investment in the transmission system;

~~(4)~~(5) 'multiplier' means the factor applied to the respective proportion of the reference price in order to calculate a reserve price for a non-yearly standard capacity product;

~~(5)~~(6) 'reference price' means the price derived in accordance with the cost allocation methodology for the yearly standard capacity product for firm capacity applicable at interconnection points and for the annual capacity product at points other than interconnection points;~~for entry and exit points derived in accordance with the cost allocation methodology;~~

~~(6)~~(7) 'regulatory account' means the account aggregating under- and over-recovery of the ~~allowed~~ transmission services revenue where the transmission system operator functions under a non-price cap regime;

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(¹) Commission Regulation No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (OJ L 91, 27.3.2014, p. 15).
(²) Commission Regulation No [000/00 of XXX] establishing a Network Code on Interoperability and Data Exchange Rules (OJ L [XXX]).

(7)(8) 'regulatory period' means the time period for which the national regulatory authority sets the general rules applied for the calculation of transmission tariffs and other charges;

(8)(9) 'seasonal factor' means the factor reflecting the seasonal gas flowvariation of demand within the year and that may be applied in addition tocombination with the relevant multiplier in order to calculate a reserve price for a non-yearly standard capacity product;

(9)(10) 'target revenue' means the product of the total expected capacity sales and the allowed transmission tariffs the sum of expected transmission services revenue calculated in accordance with the principles set out in Article 13(1) of Regulation (EC) No 715/2009 and the sum of expected dedicated services revenue other charges for services that a transmission system operator is entitled to charge for the provision of all the regulated services provides within a given time period under a price cap regime;

(10)(11)    'tariff period' means the time period during which a particular level of transmission tariffs is applicable, which lasts at leastminimum duration is one year and may coincide withmaximum duration is the duration of the regulatory period;

(11)(12)    'transmission services' means the regulated services provided by the transmission system operator to all network users within the entry-exit system for the purpose of transmission; excluding the activities defined under the applicable national rules, such as regional and local transmission activities, balancing, provision of flexibility services, metering, depressurisation, ballasting, quality conversion, biogas related services, odorisation, system operation services for third parties and any other dedicated services or infrastructure;

(12)(13)    'transmission tariff' means the price to be paid by network users to the transmission system operators at different entry and exit points for the provision of transmission services.

## CHAPTER II
## COST ALLOCATION APPROACHMETHODOLOGIES

### Article 4
**Composition of transmission servicesallowed or target revenue**

1.  A The part of the allowed or target revenue of the transmission system operator which is related to the provision of transmission services shall be referred to as the transmission services revenue.   Where an effective inter-transmission system operator compensation

mechanism referred to in Article 5(5) is established, the transmission services revenue shall be adjusted accordingly.

2. The transmission services revenue shall be recovered ~~primarily~~ by capacity-based charges which are set on the basis of reference prices, unless otherwise foreseen in this paragraph. ~~For interconnection points and points other than interconnection points referred to in Article 2(1), the reference prices shall be used to derive the reserve prices.~~

~~3.~~2. In addition to capacity-based charges and ~~S~~subject to the approval of the national regulatory authority, the transmission services revenue may also be recovered by the following commodity-based charges calculated separately from each other:~~other than those referred to in paragraph 2. These charges shall be limited to the ones referred to in paragraphs 4 and 5.~~

(a) ~~The~~ a flow-based charge shall meet all the following requirements: ~~be only commodity-based. This charge may be applied at interconnection points and at points other than interconnection points. This charge shall be:~~

(i) calculated on the basis of forecasted and/or historical allocations ~~so~~ and set in such a way that ~~its value~~it is the same at all entry points and the same at all exit points;

(ii) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;

(iii) expressed in monetary terms or in kind.

(b) ~~The~~ a complementary revenue recovery charge shall meet all the following requirements: ~~may be either capacity- or commodity-based. Where it is capacity-based, the revenue from this charge shall not be part of the transmission services revenue from capacity-based charges to which the cost allocation methodology referred to in Article 5(1)(b) is applied. Where it is commodity-based, it shall be calculated separately from the charge referred to in paragraph 4. This charge may be applied at interconnection points where the fixed price approach is followed and at points other than interconnection points. This charge shall be:~~

(i) calculated on the basis of forecasted and/or historical allocations, and in accordance with the applicable national rules;

(ii) levied for the purpose of revenue recovery;

~~(ii)~~(iii) applied at interconnection points where the fixed payable price approach is followed and at points other than interconnection points;

(iii)(iv)  applied after the national regulatory authority makes an assessment of its cost-reflectivity and its impact on ~~the~~ cross-subsidisation between interconnection points and points other than interconnection points and submits this assessment to the Agency for information.

3.  ~~A~~ The part of the allowed or target revenue of the transmission system operator~~,~~ which is ~~other than transmission services revenue,~~ related to the provision of dedicated services shall be referred to as the dedicated services revenue.  The dedicated services revenue shall be outside of the application of the cost allocation ~~approach~~ methodology set out in Article 5(1) and reconciled in a manner other than the one set out in Chapter VI.

4.  ~~This part of the allowed or target revenue may be~~ The dedicated services revenue shall be recovered by charges for dedicated services. ~~other than those set out in paragraphs 2 to 5.~~ Subject to Articles 21 and 22, when deciding on the application of charges for dedicated services charged to specific network users and at specific entry or exit points, the national regulatory authority shall take into account the need to avoid cross-subsidisation between network users and the objectives of security of supply and fulfilment of goals for renewable energy sources.

*Article 5*
## ~~Cost allocation approach and c~~Cost allocation methodology

~~1.~~ The cost allocation ~~approach~~ methodology shall be applied to the part of the transmission services revenue to be recovered from capacity-based charges and shall be ~~include the following sequential steps:~~

~~(a) apply to the transmission services revenue referred to in Article 4(1) the capacity-commodity split detailed in Article 6(2)(a);~~

~~2.~~1.    ~~apply to the part of the transmission services revenue from capacity-based charges the cost allocation methodology~~ based on one of the primary cost allocation methodologies detailed in Articles 10 to 15 which may be complemented by one or more of the secondary adjustments detailed in Articles 16 to 18.

~~3. The output of the application of the cost allocation methodology shall indicate either of the following:~~

~~(a) the reference prices that are of equal value for all entry and exit points;~~

~~(b) the reference prices that are of one equal value for all entry points and of another equal value for all exit points;~~

(c)  differentiated reference prices for each entry and exit point;

(d)  differentiated reference prices for groups of entry and/or exit points.

4.2.    Subject to Article 19(2)(a), a secondary adjustment may be applied after the application of the primary cost allocation methodology and/or as a step thereof.  Where a secondary adjustment is applied after the application of the primary cost allocation methodology, the steps set out for the primary cost allocation methodologies shall indicate the initial reference prices.  Where a secondary adjustment is applied only as a step of the primary cost allocation methodology, the steps set out for the primary cost allocation methodologies shall indicate the final reference prices.

5.3.    The same primary cost allocation methodology shall apply to all entry and exit points in an entry-exit system.

6.4.    In an entry-exit system where more than one transmission system operator is active, the national regulatory authority(-ies) shall take either of the following decisions:

(a) all the transmission system operators within such entry-exit system shall apply the cost allocation methodology jointly;

(b) each of those transmission system operators shall apply the cost allocation methodology separately.

7.5.    With the aim of preventing detrimental effects on the transmission services revenue and cash flow positions of transmission system operators referred to in paragraph 45, the national regulatory authority(-ies) shall:

(a) establish an effective inter-transmission system operator compensation mechanism, where the national regulatory authority(-ies) took a decision in accordance with paragraph 54(a);

(b) decide whether such mechanism needs to be established, where the national regulatory authority(-ies) took a decision in accordance with paragraph 54(b).

8.6.    When planning entry-exit system mergers within a Member State or cross-border entry-exit system mergers, the relevant national regulatory authority(-ies) may implement intermediate steps allowing for the application of different cost allocation methodologies in the entry-exit systems concerned.  An impact assessment and a cost benefit analysis may be carried out prior to implementing such intermediate steps.

*Article 6*
**Parameters of the primary cost allocation methodologies**

The following ~~direct and indirect~~ parameters shall be used for the application of the primary cost allocation methodologies, where relevant:

(1) the transmission services revenue ~~referred to in Article 4(1)~~ and the following:

(a) information on cost-efficiency targets, if any, in particular information on incentive mechanisms implemented and the impact they have on the transmission services revenue;

(b) regulated asset base;

(c) regulated operational expenditures;

~~(b)~~(d)    regulated weighted average cost of capital;

~~(c)~~(e)    the detailed information in relation to the chosen index of inflation and the index of the realised inflation;

~~(d)~~(f)    depreciation periods for different type of assets and the depreciation amount~~s~~.

(2) ~~the splits of the revenue referred to in point (1) expressed as the~~the following ratio~~s of percentages~~:

(a) for the transmission services revenue, the revenue from capacity-based charges and the revenue from ~~non-capacity~~ commodity-based charges (capacity-commodity split);

(b) for the transmission services revenue from capacity-based charges, the revenue from all entry points and the revenue from all exit points (entry-exit split);

(c) for the transmission services revenue, the cross-border revenue and the domestic revenue calculated as set out in Article ~~22~~23.

(3) the following costs concepts:~~ when used as cost drivers~~

(a) total observed costs;

(b) total incremental costs.

(4) parameters related to the technical characteristics of the transmission system:

(a) technical capacity at ~~the~~ entry and ~~the~~ exit points and associated assumptions;

(b) forecasted contracted capacity at ~~the~~ entry and ~~the~~ exit points and associated assumptions;

(c) the quantity and the direction of the gas flow for ~~the~~ entry and ~~the~~ exit points and associated assumptions, such as ~~the~~ demand and supply scenarios for the gas flow under peak conditions;

(d) the structural representation of the transmission network with an appropriate level of detail;

(e) additional technical information about the transmission network, such as the length and the diameter of pipelines and the power of compressor stations.

(5) description of the ~~approach to~~ method used to achieve locational signals, ~~in particular in relation to the primary cost allocation methodology, to its parameters and to the secondary adjustments,~~ where the transmission system operator or the national regulatory authority, as relevant, prioritises the provision of locational signals.

In addition to those set out in the first subparagraph, the transmission system operator may use other parameters for the application of a given primary cost allocation methodology.

~~The parameters referred to in this Article shall reflect the expected conditions of the transmission system in relation to the tariff period for which a particular cost allocation methodology is applied or considered to be applied.~~

*Article 7*

**Details of parameters of the primary cost allocation methodologies**

1. For the purpose of forecasting technical capacity, the national investment plans or the Community-wide network development plan may be used as a reference. Where there is a difference between the data from these plans and the values actually used for the purpose of forecasting technical capacity, it shall be justified.

2. For the purpose of forecasting contracted capacity, the actual contracted capacity for the respective tariff period ~~and~~ as well as the future contracted capacity ~~estimated~~ forecasted by each transmission system operator for such period taking into account historic and expected booking behaviour may be used.

3. For the purpose of forecasting the gas flow, demand and supply scenarios may be used.

4. The structural representation of the transmission network may be simplified primarily by identifying its segments and nodes. ~~The exact level of simplification shall be set or approved by the national regulatory authority depending on a given cost allocation methodology.~~ The nodes are the start or the end points of a segment of pipeline which represent entry points,

exit points or key points in the transmission network such as junctions ~~and~~ or compressor stations. The exact level of simplification shall be set or approved by the national regulatory authority depending on a given cost allocation methodology.

5. Further to the simplification set out in paragraph 4, ~~One of the ways to simplify~~ the structural representation of the transmission network ~~shall~~ may be simplified by ~~the~~ clustering of entry points and~~, separately,~~ clustering of exit points on the basis of their type and/or geographical location. The clustering ~~may~~ shall be carried out ~~in accordance with either of the following approaches:~~

(a)5. ~~Bb~~efore or after the calculation of the distance as set out in paragraphs 6 and 7~~., in which case the geographical location of the cluster is calculated as the weighted average of the geographical location of each point within such cluster;~~

~~(b) after the calculation of the distance as set out in paragraphs 6 and 7, in which case the weighted average distance for the relevant points shall be calculated as the sum of the products of the weight of each point and the average distance for this point, divided by the sum of the weights of each point.~~

6. The calculation of the distance between an entry point and an exit point shall be carried out in accordance with either of the following approaches:

   (a) airline approach, where the distance shall be equal to the shortest straight line distance between the geographical locations of two points. This approach shall not be used for variant A of virtual point based methodology detailed in Article 12 and matrix methodology detailed in Article 14.

   (b) path approach, where the distance, which may be determined on the basis of transmission costs, shall be equal to the shortest distance or the average distance of the pipeline route~~(s)~~ between two points.

7. The calculation of the average distance between one entry point and exit points or between entry points and one exit point shall be carried out in accordance with either of the following approaches:

   (a) simple average approach, where the distance shall be equal to the arithmetic mean of the distances between such points;

   (b) weighted average approach, where the distance shall be weighted against the technical or forecasted contracted capacity of a given point and shall be calculated as follows:

(i) for the weighted average distance for an entry point, as the sum of the products of the weight of each exit point and the distance from this entry point to each exit point, divided by the sum of the weights of each exit point:

$$\frac{\sum_{\text{all Ex}} [(\text{weight of Ex}) \times (\text{distance between Ex and En})]}{\sum_{\text{all Ex}} (\text{weight of Ex})}$$

$$AD_{En} = \frac{\sum_{\text{all Ex}} CAP_{Ex} \times D_{En,Ex}}{\sum_{\text{all Ex}} CAP_{Ex}}$$

Where:

$AD_{En}$ is the weighted average distance for an entry point;

$CAP_{Ex}$ is technical capacity or forecasted contracted capacity, as relevant, of an exit point;

$D_{En,Ex}$ is the distance between a given entry point and a given exit point.

En is an entry point;

Ex is an exit point.

(ii) for the weighted average distance for an exit point, as the sum of the products of the weight of each entry point and the distance to this exit point from each entry point, divided by the sum of the weights of each entry point:

$$\frac{\sum_{\text{all En}} [(\text{weight of En}) \times (\text{distance between En and Ex})]}{\sum_{\text{all En}} (\text{weight of En})}$$

$$AD_{Ex} = \frac{\sum_{\text{all En}} CAP_{En} \times D_{En,Ex}}{\sum_{\text{all En}} CAP_{En}}$$

Where:

$AD_{Ex}$ is the weighted average distance for an exit point;

$CAP_{En}$ is technical capacity or forecasted contracted capacity, as relevant, of an entry point;

$D_{En,Ex}$ is the distance between a given entry point and a given exit point.

En is an entry point;

Ex is an exit point.

*Article 8*

**Criteria for choosing the parameters of the primary cost allocation methodologies**

1. The necessity to use the information referred to in Article 6 as a parameter for a given primary cost allocation methodology shall be determined by its relevance therefor.

2. When deciding on whether the parameters referred to in Article 6(3) are relevant for a given primary cost allocation methodology, the transmission system operator shall take into account the following principles:

   (a) observed costs shall be used to reflect the costs of the existing transmission system which is characterised by constant or decreasing demand and/or limited or stable supply sources.

   These costs shall be based on either of the following:

   (i) historical costs, i.e. the costs registered when building the transmission system;

   (ii) replacement costs, i.e. the costs if the transmission system was to be entirely built in a specific year.

   Where the regulatory rules are different from the commercial accounting rules, the observed costs shall be recorded in the audited financial statements or shall be approved by the national regulatory authority.

   (b) incremental costs shall be used to reflect the costs of expanding the existing transmission system in cases such as increasing demand, a change in supply sources or a change in the proportion of domestic and cross-border gas flow.

   These costs shall be based on one or more of the following:

   (i) long run average incremental costs, i.e. the average costs required for building incremental capacity;

   (ii) standardised costs of expanding the existing transmission system, i.e. the unit price for building new assets;

   (iii) investment plan based costs, i.e. the costs estimated in a specific investment plan for building incremental or new capacity.

3. The parameters referred to in Article 6 shall reflect the expected conditions of the transmission system in relation to the tariff period for which a particular cost allocation methodology is applied or considered to be applied. The value of the costs referred to in points (a) and (b) paragraph 2 shall be determined for a specific year and expressed in the price level of that specific year, including the inflation.

3.4. Where the parameter referred to in Article 6(4)(c) is used to characterise the parameter referred to in Article 6(4)(a) or (b) and where the gas flow patterns are unstable, technical or contracted capacity shall be used as a proxy.

## Article 9
## Entry-exit split

1. Where the entry-exit split referred to in Article 6(2)(b) is not used as a parameter of the primary cost allocation methodology, it shall result from the application of the cost allocation methodology.

2. The entry-exit split shall be set or approved by the national regulatory authority(-ies) as part of the decision referred to in Article 20(5)21(3). In an entry-exit system where more than one transmission system operator is active, the entry-exit split shall be set or approved as follows:

   (a) where the national regulatory authority(-ies) took a decision in accordance with Article 5(54)(a), the entry-exit split shall be set or approved for the entry-exit system;

   (b) where the national regulatory authority(-ies) took a decision in accordance with Article 5(54)(b), the entry-exit split shall be set or approved for each transmission system operator concerned.

3. Where it does not result from the application of the cost allocation methodology, Tthe entry-exit split shall be equal to 50/50, unless otherwise set or approved by the national regulatory authority. The national regulatory authority may decide to apply the entry-exit split other than 50/50 where:

   (a) it is based on cost drivers such as distance, technical capacity or forecasted contracted capacity; and

   (b) it better fulfils the following minimum objectives that shall not be limited to the following:

      (i) minimise cross-subsidisation between network users, in particular between cross-border and domestic network users;

      (ii) not create barriers to cross-border trade;

      (iii) avoid the differences between the allowed revenue and the actually obtained revenue.

*Article 10*

**Primary cost allocation methodology: postage stamp methodology**

1. The relevant parameters for postage stamp methodology shall include, but shall not be limited to:

   (a) the part of the transmission services revenue to be recovered from capacity-based charges;

   (b) the forecasted contracted capacity at each entry point and at each exit point;

   (c) if applicable, the entry-exit split.

2. Where the entry-exit split is used as a parameter of the primary cost allocation methodology, the initial or final reference prices, as relevant, shall be calculated in the following sequential steps:

   (a) identify the part of the transmission services revenue to be recovered from capacity-based charges for at all the entry points and the part of the transmission services revenue to be recovered from capacity-based charges for at all the exit points by applying the entry-exit split;

   (b) identify the part of the forecasted contracted capacity for all the entry points and the part of the forecasted contracted capacity for all the exit points;

   (c) divide the resulting value referred to in point (a) by the resulting value referred to in point (b) for entry points and for exit points in accordance with the following, respectively formulas.:

$$T_{En} = \frac{R_{\sum En}}{FC_{\sum En}}$$

$$T_{Ex} = \frac{R_{\sum Ex}}{FC_{\sum Ex}}$$

   Where:

   $T_{En}$ is the reference price at entry points;

   $T_{Ex}$ is the reference price at exit points;

   $R_{\sum En}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all entry points;

   $R_{\sum Ex}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all exit points;

$FC_{\sum En}$ is the forecasted contracted capacity at all entry points;

$FC_{\sum Ex}$ is the forecasted contracted capacity at all exit points.

3. Where the entry-exit split is not used as a parameter of the primary cost allocation methodology, the initial or final reference prices, as relevant, shall be calculated in the following sequential steps:

(a) identify the transmission services revenue to be recovered from capacity-based charges ~~for~~ at all the entry points and all the exit points;

(b) identify the part of the forecasted contracted capacity for all the entry points and the part of the forecasted contracted capacity for all the exit points;

(c) divide the resulting value referred to in point (a) by the sum of the values referred to in point (b)~~;~~ in accordance with the following formula:

$$T_{En,Ex} = \frac{R_{\sum En,Ex}}{FC_{\sum En} + FC_{\sum Ex}}$$

Where:

$T_{En,Ex}$ is the reference price at entry points and exit points;

$R_{\sum En,Ex}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all entry points and all exit points;

$FC_{\sum En}$ is the forecasted contracted capacity at all entry points;

$FC_{\sum Ex}$ is the forecasted contracted capacity at all exit points.

~~(c)~~(d)      to arrive at the entry-exit split, multiply the resulting value referred to in point (c) by the respective resulting value referred to in point (b).


*Article 11*

**Primary cost allocation methodology: capacity weighted distance methodology**

1. The relevant parameters for capacity weighted distance methodology shall include, but shall not be limited to:

(a) the part of the transmission services revenue to be recovered from capacity-based charges;

(b) the technical capacity and/or the forecasted contracted capacity at each entry point or a cluster of entry points and at each exit point or a cluster of exit points;

(c) ~~the representation of the transmission network;~~where entry points and exit points can be combined in a flow scenario, the distance between an entry point or a cluster of entry points and an exit point or a cluster of exit points;

(d) ~~if applicable,~~ the entry-exit split.

Where some entry points and some exit points cannot be combined in a flow scenario, the relevant combinations of entry points and exit points shall be used as an additional parameter.

2. The initial or final reference prices, as relevant, shall be calculated in the following sequential steps:

(a) calculate the weighted average distance for each entry point or each cluster of entry points and for each exit point or each cluster of exit points, taking into account, where relevant, the combinations referred to in the second subparagraph of paragraph 1, in accordance with the formulas set out in Article 7(7)(b)~~(i) and (ii)~~, *mutatis mutandis*;

(b) calculate the weight of cost for each entry point or each cluster of entry points and for each exit point or each cluster of exit points in accordance with the following respective formulas:

$$\text{weight of cost of En} = \frac{\text{CAP of En} \times \text{average distance for En}}{\sum_{\text{all En}} \text{CAP of all En} \times \text{average distance for all En}}$$

$$\text{weight of cost of Ex} = \frac{\text{CAP of Ex} \times \text{average distance for Ex}}{\sum_{\text{all Ex}} \text{CAP of all Ex} \times \text{average distance for all Ex}}$$

$$W_{c,En} = \frac{CAP_{En} \times AD_{En}}{\sum_{\text{all En}} CAP_{En} \times AD_{En}}$$

$$W_{c,Ex} = \frac{CAP_{Ex} \times AD_{Ex}}{\sum_{\text{all Ex}} CAP_{Ex} \times AD_{Ex}}$$

Where:

$W_{c,En}$ is the weight of cost for a given entry point or a cluster of entry points;

$W_{c,Ex}$ is the weight of cost for a given exit point or a cluster of exit points;

$AD_{En}$ is the weighted average distance for an entry point or a cluster of entry points;

$AD_{Ex}$ is the weighted average distance for an exit point or a cluster of exit points;

~~En is an entry point(s);~~

~~Ex is an exit point(s);~~

$CAP_{En}$ is the technical capacity or the forecasted contracted capacity, as relevant, of an entry point or a cluster of entry points;

$CAP_{Ex}$ is the technical capacity or the forecasted contracted capacity, as relevant, of an exit point or a cluster of exit points.

~~CAP is technical capacity or forecasted contracted capacity, as relevant.~~

(c) identify the part of the transmission services revenue to be recovered from capacity-based charges at all the entry points and the part of the transmission services revenue to be recovered from capacity-based charges at all the exit points by applying the entry-exit split;

(d) calculate the part of the transmission services revenue to be recovered from capacity-based charges ~~for~~ at each entry point or each cluster of entry points and for each exit point or each cluster of exit points ~~by multiplying the transmission services revenue from capacity-based charges from all entry points or from all exit points, as relevant, by the resulting values referred to in point (b);~~ in accordance with the following respective formulas:

$$R_{En} = W_{c,En} \times R_{\sum En}$$

$$R_{Ex} = W_{c,Ex} \times R_{\sum Ex}$$

Where:

$W_{c,En}$ is the weight of cost for a given entry point or a cluster of entry points;

$W_{c,Ex}$ is the weight of cost for a given exit point or a cluster of exit points;

$R_{En}$ is the part of the transmission services revenue to be recovered from capacity-based charges at an entry point or a cluster of entry points;

$R_{Ex}$ is the part of the transmission services revenue to be recovered from capacity-based charges at an exit point or a cluster of exit points;

$R_{\sum En}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all entry points;

$R_{\sum Ex}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all exit points.

(e) divide the resulting values referred to in point (~~c~~d) by the forecasted contracted capacity at each entry point or each cluster of entry points and at each exit point or each cluster of exit points~~.~~ in accordance with the following respective formulas:

$$T_{En} = \frac{R_{En}}{FC_{En}}$$

$$T_{Ex} = \frac{R_{Ex}}{FC_{Ex}}$$

Where:

$T_{En}$ is the reference price at an entry point or each entry point within a cluster of entry points;

$T_{Ex}$ is the reference price at an exit point or each exit point within a cluster of exit points;

$FC_{\sum En}$ is the forecasted contracted capacity at an entry point or a cluster of entry points;

$FC_{\sum Ex}$ is the forecasted contracted capacity at an exit point or a cluster of exit points.

*Article 12*

**Primary cost allocation methodology: variant A of virtual point based methodology**

1.  The relevant parameters for variant A of virtual point based methodology shall include, but shall not be limited to:

    (a) the part of the transmission services revenue to be recovered from capacity-based charges;

    (b) the information on supply and demand data, including the direction of the gas flow for each segment entry point and for each exit point under a peak demand scenario;

    (c) the detailed structural representation of the transmission network with identification of indicating its segments and nodes based on the existing pipelines and new pipelines expected to be operational as from or before the relevant gas yeartariff period;

    (d) the value of the long run average incremental costs;

    (e)(d) the expansion factor of representing the costs for the expansion of the transmission system network which are representing the standardised costs of expanding the existing transmission system related to a given unit of energy over a given unit of distance;

    (f)(e) the annuitisation factor;

    (g)(f) the entry-exit split;

(h)(g)        the identification of ~~the~~ a reference node.

2. ~~The location of the virtual point referred to in this Article shall be determined mathematically.~~

3.2.    The ~~initial or~~ final reference prices~~, as relevant,~~ shall be calculated in the following sequential steps:

(a) choose one node from the transmission network as the reference node;

(b) for each exit point, to set the demand under a peak demand scenario;

(c) for each entry point, to set the supply to the level that is less than or equal to the technical capacity of the respective point as follows:

(i)  to adjust the supply by following a merit order of categories of supply sources;

~~(i)~~(ii)    carry out the step set out in point (i) until the aggregate supply is equal to the aggregate demand under a peak demand scenario;

~~(a)~~(d)        for each transmission network segment, to calculate and record the value of the gas flow distance as follows: ~~as the product of the distance from this segment to the reference node and the quantity and the direction of the gas flow under peak conditions between each entry point and this reference node and between this reference node and each exit point, in accordance with the following:~~

(i)  to calculate the gas flow distance via an optimisation model which, using the location of the reference node and the supply and demand for all entry and exit points, carries out the following:

(1) derives the gas flow direction within a transport route from each entry point to the reference node and a transport route from the reference node to each exit point;

(2) calculates the minimum gas flow distance as the product of the gas flow and the distance taking into account the technical capacity of a given segment;

~~(i)  where there is more than one transport route between an entry point and the reference node or between the reference node and an exit point, the shortest one shall be chosen;~~

(ii) ~~the resulting values shall be~~ to record~~ed~~ the resulting values as positive ~~values for a given segment of the transmission network~~ where the direction of the gas flow under a peak demand scenario ~~peak conditions~~ coincides with the direction of the transport route from the entry point to the reference node or from the reference

node to the exit point; Ootherwise, ~~the resulting values shall be~~ to record~~ed~~ them as negative. ~~values for a given segment of the transmission network;~~

~~(iii) the values referred to in point (ii) shall be adjusted so that they correspond to the entry-exit split.~~

(e) for each entry point and each exit point, to allocate the aggregate gas flow distance calculated as the sum of the gas flow distances for the transmission network segments within a given transport route;

(f) to derive the initial marginal gas flow distance as follows:

(i) increase the level of demand at each exit point and increase the corresponding level of supply at the reference node;

(ii) increase the level of supply at each entry point and increase the corresponding level of demand at the reference node;

(iii) calculate the associated change in the aggregate gas flow distance for each entry or exit point, as relevant;

(iv) divide the aggregate gas flow distance after the step set out in point (i) or (ii), as relevant, is carried out by the respective resulting value referred to in point (iii).

~~(b) identify the long run average incremental costs as the marginal costs related to the change in the gas flow distances referred to in point (b) associated with the change in the unit of energy;~~

(g) for each exit point, to calculate the final reference prices as follows:

(i) to sum up the initial marginal gas flow distances referred to in point (f) for all entry points and, separately, for all exit points;

(ii) to calculate the average initial marginal gas flow distance for all entry points and, separately, for all exit points;

(iii) with the aim of ensuring that the entry-exit split is equal to the entry-exit split set or approved by the national regulatory authority, to use rescaling by adding to or subtracting from, as relevant, each of the resulting values referred to in point (ii) a constant calculated as a simple average of those values and, therefore, establish a virtual point;

(iv) for each exit point, to use additional rescaling by adding a constant to the final marginal gas flow distances, where it is necessary to ensure the recovery of the transmission services revenue referred to in paragraph 1(a) at the exit points;

(v) for each exit point, to calculate the reference prices as the product of the resulting values referred to in point (iv), the expansion factor and the annuitisation factor. Where the resulting values are less than 0, set the corresponding reference price as a minimum value which is more than 0.

(h) for each entry point, to calculate the final reference prices by carrying out the steps set out in point (g), *mutatis mutandis*.

(c) calculate the unit cost as the product of the resulting values referred to in point (c) and the factor of the costs for the expansion of the transmission system;

(d) calculate the reference prices as the product of the resulting values referred to in point (d) and the relevant annuitisation factor.

*Article 13*
**Primary cost allocation methodology: variant B of virtual point based methodology**

1. The relevant parameters for variant B of virtual point based methodology shall include, but shall not be limited to:

   (a) the part of the transmission services revenue to be recovered from capacity-based charges;

   (b) the technical capacity and the forecasted contracted capacity at each entry and at each exit point;

   (c) the structural representation of the transmission network.

2. The location of the virtual point or the single dominant node referred to in this Article shall be determined geographically in accordance with either of the following approaches:

   (a) by selecting a singleone dominant node in within the entry-exit system;

   (b) on the basis of capacity weighted average geographical location of all entry and exit points.

3. The geographical determination referred to in paragraph 2(b) shall be carried out in the following sequential steps:

   (a) calculate the percentage of technical capacity for each entry point and for each exit point out of the total technical capacity;

   (b) identify the geographical location, namely the longitude and the latitude, of each entry point and of each exit point;

(c) for each entry point and for each exit point, multiply its longitude and latitude referred to in point (b) by the percentage of its technical capacity referred to in point (a);

(d) sum up the resulting values referred to in point (c) in order to determine the location of the virtual point.

4. The initial or final reference prices, as relevant, shall be calculated in the following sequential steps:

(a) calculate the capacity weighted distance:

(i) for each entry point, as the product of the distance between a given entry point and the virtual point and the capacity weight of this entry point in the group of all entry points; and in accordance with the following formula:

$$W_{d,En} = \frac{D_{En,VP} \times CAP_{En}}{\sum_{all\ En} CAP_{En}}$$

Where:

$W_{d,En}$ is the weighted distance for a given entry point;

$D_{En,VP}$ is the distance between a given entry point and the virtual point;

$CAP_{En}$ is the technical capacity or the forecasted contracted capacity, as relevant, for a given entry point.

(ii) for each exit point, as the product of the distance between a given exit point and the virtual point and the capacity weight of this exit point in the group of all exit points. in accordance with the following formula:

$$W_{d,Ex} = \frac{D_{Ex,VP} \times CAP_{Ex}}{\sum_{all\ Ex} CAP_{Ex}}$$

Where:

$W_{d,Ex}$ is the weighted distance for a given exit point;

$D_{Ex,VP}$ is the distance between a given exit point and the virtual point;

$CAP_{Ex}$ is the technical capacity or the forecasted contracted capacity, as relevant, for a given exit entry point.

(b) sum up the resulting values referred to in point (a) for all the entry points and, separately, for all the exit points;

(c) ~~identify the entry-exit split by using the resulting values referred to in point (b);~~identify the part of the transmission services revenue to be recovered from capacity-based charges at all the entry points and the part of the transmission services revenue to be recovered from capacity-based charges at all the exit points in accordance with the following formula:

$$R_{\sum En} = \frac{\sum_{all\ En} W_{d,En}}{\sum_{all\ En} W_{d,En} + \sum_{all\ Ex} W_{d,Ex}} \times R_{\sum En,Ex}$$

$$R_{\sum Ex} = \frac{\sum_{all\ Ex} W_{d,Ex}}{\sum_{all\ En} W_{d,En} + \sum_{all\ Ex} W_{d,Ex}} \times R_{\sum En,Ex}$$

Where:

$R_{\sum En}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all entry points;

$R_{\sum Ex}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all exit points;

$R_{\sum En,Ex}$ is the part of the transmission services revenue to be recovered from capacity-based charges at all entry points and all exit points.

(c) ~~calculate the revenue to be obtained from all the entry points and all the exit points by applying the entry exit split referred to in point (c) to the transmission services revenue from capacity based charges;~~

(d) set the initial reference prices for each entry and each exit point taking account of the distance from such point to the virtual point and multiply the resulting values by the respective amount of the forecasted contracted capacity;

(e) adjust the resulting values referred to in point (~~e~~d) to meet the revenue referred to in point (~~d~~c) ~~and~~ in order to set the final reference prices.

*Article 14*
**Primary cost allocation methodology: matrix methodology**

1. The relevant parameters for matrix methodology shall include, but shall not be limited to:

(a) the structural representation of the transmission network indicating its segments and the combinations of all entry points or their clusters and all exit points or their clusters;

(b) the direction of the gas flow under certain conditions, such as peak conditions;

(b)(c)        the capacity for each segment;

(c)(d)        either of the following:

  (i) an index of the unit cost for transmission determined by dividing as the costs related to, *inter alia,* the different technical characteristics of the pipelines divided by the respective technical capacity;

  (ii) the relevant costs associated with each zone, consisting of one or a group of segments, within the transmission network of a transmission system operator.

The part of the transmission services revenue to be recovered from capacity-based charges, forecasted contracted capacity, forecasted capacity based on contracted or historical allocations or, if applicable, the entry-exit split may be used for the application of the secondary adjustment referred to in Article 16 or as constraints referred to in paragraph 2(d).

2. The initial or final reference prices, as relevant, shall be calculated in the following sequential steps:

(a) calculate the unit cost for transmission in accordance with either of the following approaches:

  (i) for each transmission network segment, as the product of the relevant index of the unit cost for transmission and its length and, if relevant, the diameter of the pipeline within such segment, taking account of the prevailing direction of the gas flow. The unit cost for transmission of the transmission network segments where the direction of the gas flow is opposite to the prevailing direction shall be calculated as the product of:

    (1) the unit cost for transmission of the transmission network segments where the direction of the gas flow is prevailing; and

    (2) the constant, the value of which shall be subject to the approval by the national regulatory authority and shall be no less than 0 and no more than 1.

  (ii) for each transmission network segment or zone, in the following sequential steps:

    (1) divide the total costs associated with the relevant zone by its total length and, if relevant, the diameter of the pipelines within such zone. If applicable and where the zone consists of a group of segments, multiply the resulting value by the length of the pipelines within each segment;

(2) divide the resulting values referred to in point (1) by the respective forecasted ~~contracted~~ capacity ~~or forecasted capacity based on historical allocations~~as set out in the second subparagraph of paragraph 1~~, as appropriate,~~ for each segment or zone, as relevant.

(b) calculate the unit cost for transmission of each possible path as the sum of the resulting values referred to in point (a) relevant to each path. Where multiple ~~paths~~pipeline routes are possible between two points, the shortest or the average path determined as set out in Article 7(6)(b) shall be selected. Where the approach set out in point (a)(ii) is followed and where the second sentence in point (1) thereof is not applicable, the resulting sum shall be multiplied by the distance between the entry point or zone and the exit point or zone.

(c) create the matrix of the unit cost for transmission referred to in point (b) which shall consist of the number of rows corresponding to the number of entry points or their clusters and the number of columns corresponding to the number of exit points or their clusters, or vice versa.

(d) determine the initial or final reference prices by minimising the sum of the squared differences between each value within the matrix referred to in point (c) and the sum of possible reference prices at the entry point or the cluster of entry points and the exit point or the cluster of exit points within the respective combination, in accordance with the following formula:

$$\text{MIN} \sum_{\text{all En and all Ex}} [\text{CT}_{\text{En and Ex}} - (\overline{T_{\text{En}}}\text{T}_{\text{En}} + \overline{T_{\text{Ex}}}\text{T}_{\text{Ex}})]^2$$

Where:

~~En is an entry point(s);~~

~~Ex is an exit point(s);~~

$\text{CT}_{\text{En and Ex}}$ is the unit cost for transmission of a given path;

$\overline{T_{\text{En}}}$~~T~~$_{\text{En}}$ is the possible reference price at the entry point or the cluster of entry points within the respective combination;

$\overline{T_{\text{Ex}}}$~~T~~$_{\text{Ex}}$ is the possible reference price at the exit point or the cluster of exit points within the respective combination.

Such minimisation is carried out taking into account the constraint to avoid the negative values of the reference prices and, where necessary, other constraints such as fixing a

reference price at an entry or an exit point or applying a further derivation to arrive at ~~a unique solution~~ one set of initial or final reference prices.


## Article 15
### Primary cost allocation methodology: asset allocation methodology

1. The relevant parameters for the asset allocation methodology shall include, but shall not be limited to:

   (a) the value of assets;

   (b) the technical capacity and the forecasted contracted capacity at each entry point and each exit point;

   (c) the entry-exit split for one of the homogenous groups of network users;

   (d) the quantity and the direction of the gas flow under peak conditions;

   (e) if applicable, the technical capacity of pipeline segments.

2. The initial or final reference prices, as relevant, shall be calculated in the following sequential steps:

   (a) identify the homogenous groups of network users, the primary and supporting assets and their values;

   (b) allocate the value of the primary assets to the groups of network users referred to in point (a) according to the use of these assets for providing transmission services to each such group, ~~in particular~~ taking account of in particular:

      (i) the relevant characteristics of the transmission system, including the quantity and the direction of the gas flow to cover gas demand under peak conditions;

      (ii) the necessary surplus capacities defined in line with legal obligations for security of supply, diversification of sources and promotion of competition on the gas commodity market.

   Where primary assets are jointly used for providing transmission services to different homogenous groups of network users, the value of these assets shall be allocated according to the ratio of technical capacity necessary for providing transmission services to those groups through the associated pipeline segments.

(c) allocate the value of the supporting assets to the groups of network users referred to in point (a) in proportion to the values of the primary assets allocated to the respective homogenous groups of network users as set out in point (b);

(d) sum up the values of the primary and the supporting assets allocated to each group of network users as set out in points (b) and (c) and set the associated transmission services revenues based on the annual costs comprising the return on the identified asset value and associated operational costs and depreciation;

(e) for each group of network users referred to in point (a), identify the relevant entry and exit points and the corresponding forecasted contracted capacity;

(f) for one of the groups of network users referred to in point (a), define the entry-exit split and determine the reference prices at the relevant entry and exit points as follows:

   (i) apply the entry-exit split to the associated transmission services revenue; and

   (ii) divide the resulting value by the corresponding forecasted contracted capacity.

(g) for each of the other groups of network users referred to in point (a), determine the reference prices at the relevant entry and exit points as follows:

   (i) for the jointly used entry points, the same reference prices calculated as set out in point (f) shall apply;

   (ii) calculate the respective share of the associated transmission services revenue for the jointly used entry points as the product of the reference prices applicable at these points and the sum of the corresponding forecasted contracted capacity;

   (iii) calculate the residual share of the associated transmission services revenue by subtracting the resulting value referred to in point (ii) from the associated transmission services revenue;

   (iv) calculate the reference prices at the relevant exit points by dividing the resulting value referred to in point (iii) by forecasted contracted capacity at such exit points.


*Article 16*
**Secondary adjustment: rescaling**

1. The conditions for the application of rescaling shall be as follows:

   (a) ensure that the transmission services revenue forecasted to be obtained corresponds to ~~the part of the allowed revenue corresponding to~~ the transmission services revenue;

(b) adjust the entry-exit split so that it ~~corresponds~~ is equal to the entry-exit split set or approved by the national regulatory authority;

(c) avoid the negative values of the transmission tariffs.

Where rescaling is used, the transmission system operator or the national regulatory authority, as relevant, shall assess the possibility of its application against the economic and locational signals expected from the application of a chosen primary cost allocation methodology, in particular with regard to its effect on the entry-exit split.

2. Rescaling shall be carried out by ~~increasing or decreasing~~adjusting the reference prices ~~calculated after or as a step of a primary cost allocation methodology~~ at all entry and/or all exit points in accordance with either of the following approaches:

(a) ~~either~~ by multiplying these values by a constant;

~~2.~~(b) ~~or~~ by adding to these values a constant.

~~3. Where the charge referred to in Article 4(5) is applied at certain points, rescaling shall not be used at those points after the application of the primary cost allocation methodology.~~

*Article 17*
**Secondary adjustment: equalisation**

1. The conditions for the application of equalisation shall be as follows:

(a) contribute to security of supply;

(b) enhance stability of transmission tariffs;

(c) foster competition in the retail market;

(d) foster competition in the renewable energy sector.

2. Equalisation shall be carried out by applying the same reference price within a homogeneous group comprised of the following entry or exit points ~~comprised of either domestic points or cross-border points.~~: entry interconnection points, exit interconnection points, domestic entry points, domestic exit points, entry points from storage facilities, exit points to storage facilities, entry points from LNG facilities, exit points to LNG facilities, entry points from production facilities.

3. When deciding to apply equalisation, the transmission system operator or the national regulatory authority, as relevant, shall provide a justification in case its application may

remove locational signals created after the application of the primary cost allocation methodology.

## *Article 18*
### Secondary adjustment: benchmarking

1. The conditions for the application of benchmarking on a case-by-case basis shall ~~be as follows~~include all of the following:

   (a) where there is effective pipeline-to-pipeline competition between the transmission system operators;

   (b) where the result of the application of the primary cost allocation methodology is not sufficient for meeting the competitive level of transmission tariffs;

   (c) in order to increase the quantity of the gas flow at a given entry or exit point~~;~~.

   ~~(c)~~(d)     where the result of its application better meets the objectives set out in Article 1 of Regulation (EC) No 715/2009.

2. Upon request of a transmission system operator, ~~B~~benchmarking shall be carried out by decreasing transmission tariffs at a given entry or exit point so that the resulting value meets the competitive level of transmission tariffs.  As part of the consultation detailed in Article ~~20~~21, the transmission system operator or the national regulatory authority, as relevant, shall explain the consequences of the decreased transmission tariffs for:

   (a) the other transmission tariffs; and

   (b) the entry-exit split derived after the application of the primary cost allocation methodology.

3. Where the forecasted capacity sales at the points at which the benchmarking is carried out are not expected to ensure obtaining the allowed revenue, the transmission system operator or the national regulatory authority, as relevant, may increase the transmission tariffs at other entry or exit points.

## *Article 19*
### Criteria for choosing a primary cost allocation methodology and a secondary adjustment

1. When choosing a primary cost allocation methodology to be applied, the following shall be taken into account:

(a) the criteria for the application of the postage stamp methodology shall be as follows:

    (i) at least two thirds of the amount of transmission capacity is used by domestic or by cross-border network users; or

    (ii) the absolute difference between the average distance calculated as detailed in Article 7(7) for domestic exit points and for cross-border exit points, calculated in accordance with the following formula, does not exceed fifty percent:

$$\frac{|AD_{DM,Ex} - AD_{CB,Ex}|}{AD_{Ex}}$$

Where:

$AD_{DM,Ex}$ is the average distance for domestic exit points;

$AD_{CB,Ex}$ is the average distance for cross-border exit points;

$AD_{Ex}$ is the average distance for domestic and cross-border exit points.

$$\frac{|average\ distance\ for\ domestic\ exit\ points - average\ distance\ for\ cross\text{-}border\ exit\ points|}{average\ distance\ for\ domestic\ and\ cross\text{-}border\ exit\ points}$$

(b) the criteria for the application of the methodologies other than the postage stamp shall be as follows:

    (i) for the virtual point based methodologies, the consideration is whether the transmission network allows for the identification of a reference node or ~~a single dominant node~~ the virtual point where the majority of the gas flow converges;

    (ii) for the asset allocation methodology, the consideration is whether both of the following conditions are met in an entry-exit system:

        (1) the total technical cross-border exit capacity is equal to or higher than the daily peak demand of domestic network users occurring with a statistical probability of once in 20 years;

        ~~(1)~~(2) a price cap regime and a non-price cap regime will be applied in parallel.

    ~~(i)~~(iii) for the other methodologies, ~~matrix methodology or virtual point based methodology as compared to capacity weighted distance methodology,~~ the consideration is ~~the advantage of~~ better cost-reflectivity and ~~the disadvantage of simplifying~~ the necessity to simplify the structural representation of the transmission network.

2. When choosing a secondary adjustment to be applied, the following shall be taken into account:

(a) the criteria for the application of any secondary adjustment shall be as follows:

(i) the chosen secondary adjustment does not contradict the primary cost allocation methodology;

(ii) the application of any secondary adjustment is possible after the application of any primary cost allocation methodology;

(iii) the application of rescaling and/or equalisation is possible as a step of any primary cost allocation methodology whereas the application of benchmarking is possible only after the application of a primary cost allocation methodology.

(b) the conditions for the application of the specific secondary adjustment shall be as set out in Articles 16(1), 17(1) and 18(1).

*Article 20*
**Storage and alternative capacity products**

1. When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:

(a) the net benefits that the storage facilities may provide to the transmission system;

(b) the need to promote efficient investment in the transmission system;

(c) the need to minimise detrimental effects on cross-border trade.

2. When the national regulatory authority sets or approves the transmission tariffs, alternative capacity-based charges for specific capacity products or alternative commodity-based charges, calculated other than as set out in Article 4(2), may be introduced in order to promote efficient use of the transmission system.

CHAPTER III
**CONSULTATION REQUIREMENTS**

*Article ~~20~~21*
**Consultation ~~Selection~~ and approval of the cost allocation ~~approach~~methodology, dedicated services and fixed payable price approach**

1. ~~Within a reasonable time as from the entry into force of this Regulation, a~~A consultation shall be conducted by the transmission system operator(s) or the national regulatory authority(-ies), as relevant, on the following:~~cost allocation approach as set out in Article 5(1) prior to its application.~~

2. ~~The consultation document shall include the following information:~~

   (a) the proposed cost allocation ~~approach~~methodology as well as:~~;~~

   ~~(b)~~(i)  the assessment of the proposed cost allocation methodology against the criteria set out in Article 19;

   ~~(c)~~(ii)  the indication of the relevant parameters of the proposed primary cost allocation methodology set out in Article 6, the justification for their relevance and the corresponding information on their respective values and the assumptions used;

   ~~(d)~~(iii)  the results, ~~and~~ the components and the details of these components for ~~of~~ the cost allocation test as set out in Article ~~22~~23 after the application of the primary cost allocation methodology and, if any, after the application of the secondary adjustment(s);~~, and the justification for the deviation, including the extent of such deviation, if any, between the ratios of the cost allocation test;~~

   (iv) the comparison of the proposed primary cost allocation methodology against at least postage stamp methodology ~~one alternative cost allocation approach~~ accompanied by the relevant information as set out in ~~paragraphs (b) to (d)~~points (i) to (iii). Where the proposed primary cost allocation methodology is the postage stamp methodology, the transmission system operator or the national regulatory authority, as relevant, shall be entitled not to provide such comparison.

   (b) the proposed dedicated services charged to specific network users and at specific entry or exit points;

   ~~(e)~~(c)   where the fixed payable price approach referred to in Article 41(1)(b) is considered to be offered, the proposed index, the proposed risk premium calculation and treatment and the way in which both fixed and floating payable price approaches are offered at a given interconnection point.

3. ~~The transmission system operator or the national regulatory authority, as relevant, shall be entitled not to apply paragraph 2(e) where the proposed primary cost allocation methodology is postage stamp methodology detailed in Article 10.~~

2. The consultation referred to in paragraph 1 shall be completed by:

(a) the date referred to in the third subparagraph of Article 50; or

(b) a date no later than twenty four months as from the date referred to in the third subparagraph of Article 50, where Article 49 is applied.

4. The information referred to in paragraph 2 1 shall be ~~sufficiently detailed and~~ published in the official language(s) of the Member State and in English.

3. Based on the results of the consultation, the national regulatory authority shall approve the following:

(a) either the proposed cost allocation ~~approach~~ methodology or any of its alternatives; ~~shall be set or approved by the national regulatory authority.~~

(b) the dedicated services charged to specific network users and at specific entry or exit points;

(c) where the fixed payable price approach referred to in Article 42(1)(b) is considered to be offered, the index, the risk premium calculation and treatment and the way in which both fixed and floating payable price approaches are offered at a given interconnection point.

The national regulatory authority shall take and publish a motivated decision and the consultation responses within three months following the end of the consultation.  Such a decision ~~shall be motivated on the basis of the information referred to in paragraph 2(b) to (d) and~~ shall contain a detailed explanation of and a reasoned justification for the choice.

4. In an entry-exit system where more than one transmission system operator is active, the consultation referred to in paragraph 1 shall be conducted:

(a) by all the transmission system operators or the national regulatory authority(-ies), where the national regulatory authority(-ies) took a decision in accordance with Article 5(4)(a);

(b) by each transmission system operator or each national regulatory authority, where the national regulatory authority(-ies) took a decision in accordance with Article 5(4)(b).

*Article 21 22*
**Review of the parameters, the cost allocation ~~approach~~ methodology,**
**dedicated services and fixed payable price approach**

1. At least every four years as from the date of the approval referred to in Article ~~20(5)~~ 21(3), the transmission system operator(s) or the national regulatory authority(-ies), as relevant, shall review the information referred to in Article ~~20(2)(c)~~ 21(1)(a)(ii).  Such review shall be

based on the assessment of the stability and evolution of the relevant parameters of the chosen primary cost allocation methodology against the relevant available technical and market data and outlooks. Any changes identified as a result of such assessment shall be published within a reasonable time period.

2.  At the same frequency as referred to in paragraph 1, the national regulatory authority shall review and update the detailed explanation and the reasoned justification referred to in the second subparagraph of Article 20(5) 21(3). The process referred to in Article 21 shall apply, *mutatis mutandis*, where as a result of such review the necessity of any of the following changes is identified:

    (a) Where a necessity to change of the applied cost allocation approach methodology; is identified as a result of such review, the process referred to in Article 20 shall apply, *mutatis mutandis.*

    (b) change of types of dedicated services charged to specific network users and at specific entry or exit points;

    (c) where the fixed payable price approach referred to in Article 42(1)(b) is offered, change of the type of index, the risk premium calculation and treatment and the way in which both fixed and floating payable price approaches are offered at a given interconnection point.

    Otherwise, Where no necessity of any of the changes set out in the first subparagraph is identified, a justification document including the explanation of the outcome of the review of the applied cost allocation approach shall be published.

*Article 2223*
**Cost allocation test**

1.  The cost allocation test shall be applied to the transmission services revenue referred to in Article 4(1) and shall be carried out by the transmission system operator(s) or the national regulatory authority(-ies), as relevant.

2.  The cost allocation test shall demonstrate the degree of cost-reflectivity of the primary cost allocation methodology and, if any, secondary adjustment(s), where applied after the primary cost allocation methodology.

3.  The cost allocation test shall be carried out as follows:

(a) the transmission services revenue to be obtained from domestic network users at both entry and exit points shall be divided by the value of the relevant cost driver(s) for domestic network users in accordance with the following formula:

$$(Re : CD)_{DM} = \frac{Re_{DM}}{CD_{DM}}$$

Where:

$Re_{DM}$ is the revenue from domestic network users;

$CD_{DM}$ is the value of cost driver(s) for domestic network users.

(b) the transmission services revenue to be obtained from cross-border network users at both entry and exit points shall be divided by the value of the relevant cost driver(s) for cross-border network users in accordance with the following formula:

$$(Re : CD)_{CB} = \frac{Re_{CB}}{CD_{CB}}$$

Where:

$Re_{CB}$ is the revenue from cross-border network users;

$CD_{CB}$ is the value of cost driver(s) for cross-border network users.

(c) the correlation between ratio 1 and ratio 2 referred to in points (a) and (b) shall be calculated in accordance with the following formula:

$$\frac{|(Re : CD)_{DM} - (Re : CD)_{CB}|}{[(Re : CD)_{DM} + (Re : CD)_{CB}] / 2}$$

4. The transmission services revenue to be obtained from domestic network users at entry points referred to in paragraph 3(a) shall be calculated as follows:

(a) where the actual amount of capacity attributed to the provision of transmission services to cross-border network users at the entry points is not known, it shall be deemed equal or proportionate to the amount of capacity attributed to the provision of transmission services to cross-border network users at the exit points;

(b) the amount of capacity determined as set out in point (a) shall be used to calculate the transmission services revenue to be obtained from cross-border network users at the entry points;

(c) the difference between the overall transmission services revenue to be obtained at the entry points and the resulting value referred to in point (b) shall be equal to the

transmission services revenue to be obtained from domestic network users at entry points.

5.  Where more than one cost driver referred to in paragraph 3 is identified as relevant, the combination of such cost drivers shall be used taking into account the following:

   (a) the total number of cost drivers shall be minimised;

   (b) the relative importance of all the cost drivers shall be demonstrated;

   (c) where distance is used as a cost driver, the weighted average distance shall be used.

6.  Where the results of the calculation referred to in paragraph 3(c) ~~indicate the value which~~ exceed~~s~~ ten percent, the national regulatory authority shall provide the justification therefor in the decision referred to in Article ~~20(5)~~ 21(3).  Where the reason for such excess originates from levying the charge referred to in Article 4(~~5~~2)(b), the value or the application of such charge shall be reviewed so that the results of the calculation referred to in paragraph 3(c) ~~indicate the value which~~ do~~es~~ not exceed ten percent.

~~*Article 23*~~

~~**Storage**~~

~~When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:~~

~~(1) the net benefits that the storage facilities may provide to the transmission system;~~

~~(2) the need to promote efficient investment in the transmission system;~~

~~(3) the need to minimise detrimental effects on cross-border trade.~~

CHAPTER ~~III~~IV

**PUBLICATION REQUIREMENTS**

*Article 24*

**General provisions**

1.  The information relevant for ~~tariff~~ price calculation shall be published ~~in order~~ to enable network users to understand:

2. ~~to estimate to a reasonable extent the reference price for the next tariff period and, where the tariff period does not coincide with the regulatory period, for each tariff period within the remainder of the respective regulatory period;~~

(a) ~~to understand~~ different types of transmission services and dedicated services;~~,~~

(b) ~~the corresponding~~ transmission tariffs and charges for dedicated services charged to specific network users and at specific entry or exit points corresponding to the services referred to in point (a);~~and~~

(c) how ~~these~~ tariffs and charges referred to in point (b) are derived, have changed and may change.

(a) ~~to understand the difference, if any, in the level of transmission tariffs applicable for two consecutive tariff periods for the same type of transmission service.~~

~~3.~~2.    The confidentiality of commercially sensitive information shall be preserved.

*Article 25*
**Information to be published in a standardised format**

1. For each tariff period, the transmission system operator or the national regulatory authority, as relevant, depending on the party responsible for setting the transmission tariffs, shall publish the ~~following~~ information on the following: ~~related to the provision of transmission services:~~

    (a) ~~the parameters of the applied primary cost allocation methodology as detailed in Article 6 and the information on the applied secondary adjustment(s);~~

    (a) the allowed revenue or the target revenue of the transmission system operator;

    (b) the transmission services revenue, the treatment of the auction premium and, where the transmission system operator functions under a non-price cap regime, the following information on the reconciliation of the regulatory account related to the previous tariff period, where relevant:

        (i) the actually obtained revenue, the under- or over-recovery of the allowed revenue and the part thereof attributed to the regulatory account;

        (ii) the reconciliation period, the incentive mechanisms implemented, the applied mitigating measures.

    ~~(b)~~(c)    the parameters of the applied primary cost allocation methodology as detailed in Article 6, ~~and~~ the information on the applied secondary adjustment(s) and, where it is not used as a parameter of the primary cost allocation methodology, the entry-exit split;

(c)(d)    different transmission tariffs applicable at each entry and each exit point or at a each group of points, as relevant:, and the applicable information related to their derivation, including:

(i) the reference prices;

(i) the reserve prices for non-yearly standard capacity products for firm capacity, the formulas for their calculation and, if these formulas include multipliers or seasonal factors, justification for introducing such multipliers and seasonal factors;

(ii) the reserve prices for standard capacity products for interruptible capacity and the formulas for their calculation;

(iii) the charges set out in Article 4(2), if any, and the information related to their derivation;

(iii)(iv) the prices applicable at points other than interconnection points and the information related to their derivation.;

(iv) the charges referred to in Article 4(4) and (5).

(e) charges for dedicated services charged to specific network users and at specific entry or exit points and the description of how these charges were derived.

(d) where relevant, the information on the reconciliation of the regulatory account related to the previous tariff period, including:

(i) the actually obtained revenue, the under- or over-recovery of the allowed revenue and the part thereof attributed to the regulatory account,

(ii) the reconciliation period, the incentive mechanisms implemented, the treatment of the auction premium, the applied mitigating measures.

2.  In an entry-exit system where more than one transmission system operator is active, the information referred to in paragraph 1 shall be published as follows:

(a) where the national regulatory authority(-ies) took a decision in accordance with Article 5(54)(a), the information shall be published on an aggregated level for all those transmission system operators;

(b) where the national regulatory authority(-ies) took a decision in accordance with Article 5(54)(b), the information shall be published individually per transmission system operator.

## ~~Article 26~~
### ~~Standardised format~~

~~1.~~3.  The information referred to in ~~Article 25(1)~~paragraph 1 shall be published via a standardised table~~. which shall be structured as follows:~~ ~~t~~The standardised table shall consist of three columns, namely the indication of the information item, the respective value in the applicable units and, if necessary, other details~~;~~. ~~e~~Each of the information items shall be indicated in a separate row of the standardised table.

> ~~(a)  the standardised template shall consist of two parts:~~
>
> > ~~(i)   the first part shall indicate the information referred to in Article 25(1)(a);~~
> >
> > ~~(ii)  the second part shall indicate the information referred to in Article 25(1)(b) and (c).~~
>
> ~~(b)  the standardised table shall consist of three columns, namely the indication of the information item, the respective value in the applicable units and, if necessary, other details;~~
>
> ~~(c)  each of the information items shall be indicated in a separate row of the standardised table.~~

~~2.  Where the parameters referred to in the second subparagraph of Article 6 are used, the standardised table referred to in paragraph 1 shall be supplemented with the rows indicating additional information thereon.~~

~~3.~~4.  The ~~information~~ standardised table referred to in paragraph ~~1~~3 shall be published in the following manner:

(a) via the platform referred to in point 3.1.1(1)(h) of Annex I to Regulation (EC) No 715/2009;

(b) on the website of the transmission system operator or the national regulatory authority, as relevant;

(c)  accessible to ~~network users~~the public, free of charge;

~~(c)~~(d)       in a user-friendly manner;

(e) in a clear, quantifiable, easily accessible way and on a non-discriminatory basis;

~~(d)~~(f)       in a downloadable format;

~~(e)~~(g)      in the official language(s) of the Member State and in English.

## Article 26
### Additional information on transmission tariffs to be published

1.  At the same frequency as the publication of information referred to in Article 25(1), the transmission system operator or the national regulatory authority, as relevant, depending on the party responsible for setting the transmission tariffs, shall publish the relevant explanation for the following:

    (a) the difference in the level of transmission tariffs for the same type of transmission service applicable for the current tariff period and for the tariff period for which the information is published;

    (b) the estimated difference in the level of transmission tariffs for the same type of transmission service applicable for the tariff period for which the information is published and:

    (i)   for the following tariff period;

    (ii)  for each tariff period within the remainder of the respective regulatory period.

2.  In addition to the information set out in paragraph 1, the transmission system operator or the national regulatory authority, as relevant, depending on the party responsible for setting the transmission tariffs, shall publish either of the following:

    (a) a simplified tariff model enabling network users to calculate the transmission tariffs applicable for the current tariff period and to estimate their possible evolution in the following tariff periods;

    (b) sensitivity analyses enabling network users to estimate the possible evolution of transmission tariffs in the following tariff periods.

    The user-friendly tool referred to in point (a) shall be accompanied by the explanations on how to use such tool.

## Article 27
### Publication notice period

1.  ~~The level of transmission tariffs shall be applicable within the tariff period [which shall last from [xx] to [xx].~~

1.  At least thirty days in advance of the tariff period, ~~T~~the transmission system operator or the national regulatory authority, as relevant, depending on the party responsible for setting the transmission tariffs, shall publish the following prices applicable for that tariff period:

(a) the transmission tariffs;

(b) the charges for dedicated services charged to specific network users and at specific entry or exit points.applicable for the next tariff period at least thirty days in advance thereof.

Where the difference in the level of ~~transmission tariffs~~ the respective prices referred to in the first subparagraph applicable for next tariff period as compared to the current one is expected to exceed twenty percent, the ~~transmission tariffs~~prices applicable for the next tariff period shall be published at least sixty days in advance thereof.

2. At least thirty days before the annual yearly capacity auction, the transmission system operator or the national regulatory authority, as relevant, depending on the party responsible for setting the transmission tariffs, shall publish at least the indicative reference prices and the binding multipliers and seasonal factors applicable for the tariff period following such auction.

3. Where the charge referred to in Article 4(2)(b) or ~~Where necessary, including where the seasonal factors or~~ the discounts for monthly and daily standard capacity products for interruptible capacity are recalculated within the tariff period,~~in accordance with Articles 31(5) and 32(4),~~ the updated transmission tariffs shall be published as early as possible before they are applicable.~~within the respective tariff period.~~ Each update shall be accompanied by the supporting information indicating the reasons for the changes in the level of such transmission tariffs.~~In such case, the updated transmission tariffs shall be published as early as possible before they are applicable.~~

3.4. The reference price may be recalculated within the tariff period only in exceptional cases and subject to the approval of the national regulatory authority.


CHAPTER ~~IV~~V
**RESERVE PRICES**

*Article 28*
**General provisions**

1. For yearly standard capacity products for firm capacity, the reference prices shall be used as reserve prices. For non-yearly standard capacity products for firm capacity, the reserve prices shall be calculated as set out in this Chapter. For both yearly and non-yearly standard capacity products for interruptible capacity, the reserve prices shall be calculated as set out in this Chapter.

2.  A transmission system operator may propose to the national regulatory authority for approval:

(a)  the level of multipliers and, where relevant, the calculations as set out in Article 29; and,

(a)(b)  where relevant, the level of seasonal factors and the calculations as set out in Article 31; related to the methodology as set out in Articles 29 and 31, including the time period during which such levels are to be applied;

(b)(c)  the methodology to set reserve prices for standard capacity products for interruptible capacity, including factors A and B, and the levels of ex-ante and/or ex-post discount(s) as set out Article 32.

The national regulatory authority shall take the decision within a reasonable period of time following the receipt of the proposal from the transmission system operator.  The transmission system operator's right of proposal is without prejudice to the right of the national regulatory authority to take a decision on its own initiative.

3.  Subject to the decision of the national regulatory authority, the multipliers may not be applied.  In such case, the respective reserve prices for non-yearly standard capacity products for firm capacity shall be calculated in accordance with the formulas set out in Article 30 subject to substituting factor M with 1.

4.3.  Before taking the decision on the level of multipliers and on the level of seasonal factors, the national regulatory authority shall consult with the national regulatory authorities of adjacent Member States and relevant stakeholders.  In adopting its decision, the national regulatory authority shall take account of the adjacent national regulatory authorities' opinions received.

5.4.  When setting or approving the level of multipliers, the national regulatory authority shall take account of the following:

(a)  the balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system;

(b)  the need of effective revenue recovery mechanism through incentivising the network users to contract both short term and long term services;impact on under- or over-recovery of transmission services revenue, where the transmission system operator functions under a non-price cap regime;

(c)  the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices;.

(c)(d)        the situations of physical congestion and contractual congestion.

6.5.    The seasonal factors shall only be introduced if their application:

(a) facilitates the economic and efficient utilisation of the infrastructure; and

(b) improves the cost-reflectivity of reserve prices.

## *Article 29*
### ~~Ranges for the l~~Level of multipliers and seasonal factors

1. ~~The decision of the national regulatory authority on the applicable level of multipliers shall be based on the following:~~

   (a) ~~if in the case of contractual congestion a decision is taken by this national regulatory authority in accordance with point 2.2.3(1) of Annex I to Regulation (EC) No 715/2009;~~

   (b) ~~if on average the available firm capacity for daily standard capacity products at a given interconnection point is less than ten percent of the technical capacity over 365 days preceding the date of the proposal from the transmission system operator or the date of the decision by the national regulatory authority regarding the multipliers referred to in Article 28.~~

2.1.    The level of multipliers shall fall within the following ranges:

   (a) ~~where there is the decision referred to in paragraph 1(a) and where the condition referred to in paragraph 1(b) is met:~~

      (i) ~~for quarterly standard capacity products and for monthly standard capacity products, the level of the respective multiplier shall be no less than 0.5 and no more than 1;~~

      (ii) ~~for daily standard capacity products and for within-day standard capacity products, the level of the respective multiplier shall be no less than 0 and no more than 1.~~

   (b) ~~in the absence of the decision referred to in paragraph 1(a) or where the condition referred to in paragraph 1(b) is not met:~~

   ~~(i)~~(a)        for quarterly standard capacity products and for monthly standard capacity products, the level of the respective multiplier shall be no less than 0.5 and no more than 1.5;

   ~~(ii)~~(b)        for daily standard capacity products and for within-day standard capacity products, the level of the respective multiplier shall be no less than 0 and no more than 1.5.

3.  ~~When taking the decision referred to in paragraph 1, the national regulatory authority shall take into account whether the transmission system operator implemented oversubscription and buy-back scheme referred to in point 2.2.2(1) of Annex I to Regulation (EC) No 715/2009 and the details thereof.~~

2.  ~~Subject to the decision of the national regulatory authority, t~~The level of ~~the~~ multipliers may be more than 1.5 where the transmission system operator or the national regulatory authority, as relevant, justifies ~~that the resulting reserve prices better correspond to Article 28(5).~~that the result of the following calculation exceeds 1.5 for at least one of the three years preceding the date of the calculation or for the year after the date of the calculation:

$$N_m = \frac{\max{(CAP_{c,i})} \times 365}{\sum_{i=1}^{365} CAP_{c,i}}$$

Where:

$CAP_{c,i}$ is the actual or forecasted amount of contracted capacity for non-yearly standard capacity products in kWh/d;

$N_m$ is the figure that is compared against 1.5.

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

In such case, the level of multipliers shall not exceed the lower of 5 or the result of the calculation set out in the first subparagraph.

3.  The transmission system operator or the national regulatory authority, as relevant, may review the levels of multipliers on an annual basis.  Where a necessity to change the level of multipliers is identified as a result of such review, Article 28(2) to (4) shall apply, *mutatis mutandis*.

4.  Where seasonal factors are applied, the arithmetic mean over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factor shall be ~~no less than 0.5 and no more than 1.5.~~:

    (a) where the level of multipliers is as set out in paragraph 1, within the same range as for the level of the respective multipliers;

    ~~4.~~(b)     where the level of multipliers is as set out in paragraph 2, no more than the level of the respective multipliers.

5. Subject to the decision of the national regulatory authority, the level of the multipliers may be more than 1.5 where the transmission system operator or the national regulatory authority, as relevant, justifies that the resulting reserve prices better correspond to Article 28(5).

6. Where seasonal factors are applied in combination with the multipliers referred to in paragraph 5, the arithmetic mean over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factor shall be no more than the level of the respective multipliers referred to in paragraph 5.

*Article 30*

**Calculation of reserve prices for**

**non-yearly standard capacity products for firm capacity in absence of seasonal factors**

1. The reserve prices for non-yearly standard capacity products for firm capacity shall be calculated as follows:

(a)(1)  for quarterly standard capacity products, for monthly standard capacity products and for daily standard capacity products, in accordance with the following formula:

$$P_{st} = M \times (\text{~~}P_{\overline{y}}\text{~~}T / 365) \times D$$

Where:

$P_{st}$ is the reserve price for the respective standard capacity product;

M is the level of the multiplier corresponding to the respective standard capacity product;

T~~$P_{\overline{y}}$~~ is the reference price;

D is the duration of the respective standard capacity product expressed in gas days.

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

(b)(2)  for within-day standard capacity products, in accordance with either of the following formulas:

(i)(a)        as set out in ~~point (a)~~paragraph (1) for daily standard capacity products;

(ii)(b)        as follows:

$$P_{st} = M \times (\text{~~}P_{\overline{y}}\text{~~}T / 8760) \times H$$

Where:

$P_{st}$ is the reserve price for the within-day standard capacity product;

M is the level of the corresponding multiplier;

~~$P_y$~~T is the reference price;

H is the duration of the within-day standard capacity product expressed in hours.

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

2. ~~For leap years, the formulas set out in paragraph 1 shall be adjusted as follows:~~

~~(a) the figure 365 is substituted with the figure 366;~~

~~(b) the figure 8760 is substituted with the figure 8784.~~

*Article 31*

**Calculation of reserve prices for**

**non-yearly standard capacity products for firm capacity with seasonal factors**

1. Where seasonal factors are applied, the reserve prices for non-yearly standard capacity products for firm capacity shall be calculated in accordance with the relevant formulas set out in Article 30 complemented with multiplication by the respective seasonal factor.

2. ~~The level of seasonal factors for a given month~~ For monthly standard capacity products for firm capacity, the seasonal factors to be applied shall be calculated for each, some or all interconnection points ~~in accordance with the following methodology carried out~~ in the following sequential steps:

   (a) calculate for each month within a given gas year the usage of the transmission system on the basis of forecasted flows or forecasted contracted capacity using:

      (i) the data for the individual interconnection point, where the seasonal factors are calculated for each interconnection point;

      (ii) the average data, where the seasonal factors are calculated for some or all interconnection points.

   (b) sum up the resulting values referred to in point (a);

   (c) calculate the usage rate by dividing each of the resulting values referred to in point (a) by the resulting value referred to in point (b);

(d) multiply each of the resulting values referred to in point (c) by 12. Where the resulting values are equal to 0, to adjust these values to the lower of 0.1 or the lowest of the resulting values other than 0;

(e) calculate the initial level of the respective seasonal factors by raising each of the resulting values referred to in point (d) to the same power which is no less than 0 and no more than 2;

(f) calculate the ~~simple~~ average of the product~~s~~ of the resulting values referred to in point (e) and the ~~respective~~ multiplier~~s~~ for monthly standard capacity products;

(g) compare the resulting value referred to in point (f) with the range referred to in Article 29(~~4~~1) or with the cap referred to in Article 29(~~6~~2), as relevant:

(i) if this value falls within this range or does not exceed this cap, as relevant, then the level of seasonal factors shall coincide with the respective resulting values referred to in point (e);

(ii) if this value falls outside of this range or exceeds this cap, as relevant, then point (h) shall apply.

~~Where deemed necessary, the rounding of the resulting values referred to in point (g)(i) shall be carried out.~~

(h) the level of seasonal factors shall be calculated as the product of the respective resulting values referred to in point (e) and the correction factor calculated as follows:

(i) where the resulting value referred to in point (f) is more than 1.5 or the cap referred to in Article 29(~~6~~2), as relevant, the correction factor shall be calculated as 1.5 or the cap referred to in Article 29(~~6~~2), as relevant, divided by this value;

(ii) where the resulting value referred to in point (f) is less than 0.5, the correction factor shall be calculated as 0.5 divided by this value.

~~Where deemed necessary, the rounding of the resulting values shall be carried out.~~

3. For daily standard capacity products for firm capacity and within-day standard capacity products for firm capacity, the seasonal factors to be applied shall be calculated by carrying out the step set out in paragraph 2(f) to (h), *mutatis mutandis*.

~~3.~~4. ~~The level of seasonal factors for a given month calculated as set out in paragraph 2 shall be applied to the relevant monthly standard capacity products, daily standard capacity products and within-day standard capacity products for firm capacity.~~ For quarterly

standard capacity products for firm capacity, the seasonal factors to be applied shall be calculated as follows:

(a) calculate the initial level of the respective seasonal factors as either of the following:

(a)(i)    equal to the simple average of the respective seasonal factors applicable for the three relevant months; or

(ii) no less than the lowest and no more than the highest level of the respective seasonal factors applicable for the three relevant months;.

(b) carry out the step set out in paragraph 2(f) to (h), using the resulting values referred to in point (a), *mutatis mutandis*.

5. Where deemed necessary, the rounding of the resulting values referred to in paragraphs 2 to 4 shall be carried out.

4. Where the arithmetic mean over the gas year of the product of multipliers applicable for quarterly standard capacity products, daily standard capacity products and within-day standard capacity products for firm capacity and the respective seasonal factors calculated as set out in paragraphs 2 and 3 does not fall within the range referred to in Article 29(4) or exceeds the cap referred to in Article 29(6), as relevant, the step of the methodology set out in paragraph 2(h) shall be carried out once again, *mutatis mutandis*.

5. Subject to the approval of the national regulatory authority, the seasonal factors may be recalculated within the current tariff period where the usage of transmission system undergoes significant changes.

*Article 32*
**Calculation of reserve prices for**
**standard capacity products for interruptible capacity**

1. The reserve prices for standard capacity products for interruptible capacity shall be calculated in accordance with either of the following approaches:

(a) by applying an ex-ante discount to the reserve prices for the respective standard capacity products for firm capacity, as detailed in Article 33;

(b) by using the same values as the reserve prices for the respective standard capacity products for firm capacity and in case the capacity is interrupted, by applying an ex-post discount to calculate the reimbursement, as detailed in Article 34;

(c)(b) by using applying a combination of approaches referred to in points (a) and (b)ex-ante and ex-post discounts, as follows:

(i) the reserve prices for standard capacity products for interruptible capacity shall be calculated as detailed in Article 33; and

(ii) in case the capacity is interrupted, the reimbursement shall be calculated as detailed in Article 34.

The approach set out in point (b) may be followed where either of the following conditions is met at a given interconnection point for the tariff period preceding the date of the calculation:

(i) absence of physical congestion;

(i)(ii) available firm capacity for the daily standard capacity products exceeds ten percent of technical capacity on average.

2. The calculation referred to in paragraph 1 shall apply to all standard capacity products for interruptible capacity regardless of the direction of the gas flow at a given interconnection point. This calculation shall also apply to interruptible capacity products offered at a unidirectional interconnection point in the direction which is opposite to the direction of the physical gas flow where technical capacity is offered only in one direction as set out in Article 21 of Commission Regulation (EU) No 984/2013.

3. Simultaneously with the publication of transmission tariffs referred to in Article 27(12) and, if relevant, Article 27(3), the transmission system operator or the national regulatory authority, as relevant, depending on the party responsible for setting the transmission tariffs, shall publish a report on the probability of interruption of the interruptible capacity for the next tariff period. This report shall include at least the following information:

(a) the list of all the types of standard capacity products for interruptible capacity offered;

(b) for each, some or all interconnection points, as relevant, and for each standard capacity product for interruptible capacity of a certain duration, a table indicating the information related to each type of product referred to in point (a):

(i) the probability of interruption;

(ii) the level of the relevant discount applied.

(c) the explanation of how the probability of interruption is calculated for each type of product referred to in point (a);.

(c)(d)   the historical and/or forecasted data used for the estimation of the probability of interruption.

4.  The transmission system operator or the national regulatory authority, as relevant, may review the levels of discounts for standard capacity products for interruptible capacity on an annual basis.  Where a necessity to change the levels of discounts is identified as a result of such review, Article 28(2) shall apply, *mutatis mutandis*.

4.5.   Subject to the approval of the national regulatory authority, tThe discounts for monthly and daily standard capacity products for interruptible capacity may be recalculated within the current tariff period subject to the approval of the national regulatory authority where the transmission system undergoes significant changes that influence the probability of interruption changes by more than twenty percent.


*Article 33*
**Ex-ante discount for interruptible capacity**

1.  An ex-ante discount shall not exceed 100% and shall be calculated in accordance with the following formula:

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

Where:

$Di_{\text{ex-ante}}$ is the level of an ex-ante discount in percentage;

Pro is the probability of interruption of 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, which shall be no less than 1 and may differ per standard capacity product for interruptible capacity of a certain duration.

2.  The factor Pro referred to in paragraph 1 shall be calculated for each, some or all 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 its components:

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

Where:

N is the expectation of the number of interruptions over D;

$D_{int}$ is the expected average duration of each interruption 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 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.

3. ~~The value of factor A referred to in paragraph 1:~~

~~(a) shall be no less than 1;~~

~~(b) may differ per standard capacity product for interruptible capacity of a certain duration.~~

4.3.    Where an ex-ante discount is applied, the reserve prices for standard capacity products for interruptible capacity shall be calculated by multiplying the reserve price for the respective standard capacity product for firm capacity by the difference between 1 and the level of an ex-ante discount.

*Article 34*
**Combination of ex-ante and ~~E~~ex-post discount~~s~~ for interruptible capacity**

1. When an ex-post discount is applied in combination with ex-ante discount and in case the capacity is interrupted, the reimbursement shall be calculated at the same frequency as the respective transmission tariffs are invoiced to network users, in accordance with the following formula:

$$\cancel{E_{Rm} = B \times \left(\frac{E_m}{q \times h_m}\right) \times \sum_{R=1}^{h_R} q_{diff\,R}}$$

$$E_R = B \times E \times \max\left(\frac{\sum_{i=1}^{n} CAP_{diff,\,i} \times D_i}{CAP \times D} - Pro;\, 0\right)$$

Where:

$E_{R\cancel{m}}$ is the amount to be reimbursed for an invoicing period within a given contract;

B is the adjustment factor applied to reflect the estimated economic value of the type of standard capacity product for interruptible capacity, which shall be no less than 1 and may differ per standard capacity product for interruptible capacity of a certain duration;

$EE_m$ is the contractual payment for an invoicing period within a given contract excluding, if any, the auction premium;

$qCAP$ is the amount of contracted capacity with respect to one hour or one day;

$Dh_m$ is the number of hours or days of an invoicing period within a given contract;

$CAPq_{diff, iR}$ is the amount of interrupted capacity with respect to each hour or each day when the capacity was interrupted for each interruption i;

$hD_{iR}$ is the number of hours or days of an invoicing period within a given contract when the capacity was interrupted for each interruption i;

n is the total number of interruptions that the standard capacity product underwent during the invoicing period within a given contract.;

Pro is the probability of interruption of the type of standard capacity product for interruptible capacity as set out in Article 33.

Where the applied capacity units are kWh/h, the formula shall be applied using the hours. Where the applied capacity units are kWh/d, the formula shall be applied using the days.

2. The value of factor B referred to in paragraph 1:

   (a) shall be equal to 1 unless a higher level is set or approved by the national regulatory authority;

   (b) may differ per standard capacity product for interruptible capacity of a certain duration.

3.2. The reimbursement shall not exceed the contractual payment per invoicing period, excluding, if any, the auction premium.


## CHAPTER VI
## REVENUE RECONCILIATION

### Article 35
### General provisions

1. Where the transmission system operator functions under a non-price cap regime, meaning a regulatory regime under which the national regulatory authority sets an upper limit to the revenue for all the regulated services provided by the allowed revenue for the transmission system operator, the following principles shall apply for transmission services revenue: for the purpose of this Chapter:

(a) when setting the transmission tariffs, the transmission system operators or the national regulatory authorities, as relevant, shall seek to minimise the difference between the allowed revenue from transmission services and the actually obtained revenue from transmission services;

(b) the level of transmission tariffs shall ensure that the allowed revenue from transmission services is recovered by the transmission system operators in a timely manner;

(c) significant differences between the level of transmission tariffs applicable for two consecutive tariff periods shall be avoided to the extent possible.

2. Where the transmission system operator functions under a price cap regime, meaning a regulatory regime under which the national regulatory authority does not set the allowed revenue for sets an upper limit to the transmission tariffs and other charges for all the regulated services provided by the transmission system operator, only Article 37(4) shall be applied for the earned auction premia, if any.

*Article 36*
**Under- and over-recovery**

1. The under- or over-recovery of the allowed revenue from transmission services revenue shall be equal to:

$$A - B \; R_A - R$$

Where:

$A \; R_A$ is the actually obtained revenue from transmission services;

$B \; R$ is the allowed revenue from transmission services revenue.

The values of $A \; R_A$ and $B \; R$ shall be attributed to the same tariff period and, where an effective inter-transmission system operator compensation mechanism referred to in Article 5(5) is established, shall take it into account.

2. Where the difference calculated in accordance with paragraph 1 is positive, it shall indicate an over-recovery of the allowed revenue from transmission services revenue.  Where such difference is negative, it shall indicate an under-recovery of the allowed revenue from transmission services revenue.

*Article 37*
**Regulatory account**

1. The regulatory account shall indicate at least the information on the ~~revenues from~~ transmission services revenue referred to in Article 36(1) for a given tariff period.

2. All of the transmission system operator's under- or over-recovery ~~of the allowed revenue from transmission services~~ shall be attributed to the regulatory account, unless otherwise decided by the national regulatory authority.  Where incentive mechanisms on capacity sales are implemented in accordance with the decision of the national regulatory authority, only a part of the transmission system operator's under- or over-recovery ~~of the allowed revenue from transmission services~~ shall be attributed to the regulatory account.  In such case, the residual part thereof shall be met by the transmission system operator.

3. Each transmission system operator shall use ~~a single~~one regulatory account.  This regulatory account may be split into a number of sub-accounts for the purpose of tracking the under- or over-recovery originating from a particular group of points or from a particular type of charge.

4. Subject to the decision of the national regulatory authority, the earned auction premia, if any, may be attributed to a specific account separate from the regulatory account referred to in paragraph 3.  The national regulatory authority may decide to use this auction premia for reducing physical congestion.

*Article 38*
**Reconciliation of regulatory account**

1. The national regulatory authority shall set or approve the reconciliation period, meaning the time period over which the regulatory account referred to in Article 37(3) shall be reconciled.

~~2.~~ The regulatory account shall be reconciled with the aim~~:~~

~~(a)  to~~ of reimburs~~e~~ing to the transmission system operator the under-recovery ~~of the allowed revenue from transmission services;~~ and

~~(b)~~2.   ~~to~~ of returning to the network users the over-recovery. ~~of the allowed revenue from transmission services.~~

3. The reconciliation of the regulatory account shall be carried out in accordance with the applied cost allocation methodology and, if relevant, by applying the charge referred to in

Article 4(2)(b). When the transmission tariffs are calculated for the next tariff period, the decision of the national regulatory authority referred to in paragraph 1 shall be taken into account.

CHAPTER VII

**PRICING OF BUNDLED CAPACITY AND CAPACITY AT VIRTUAL INTERCONNECTION POINTS**

*Article 39*

**Pricing of bundled capacity**

1. The reserve price for a bundled capacity product shall be equal to the sum of the reserve prices for the capacities contributing to such product. The reserve prices for corresponding entry and exit capacities shall be made available when the bundled capacity product is offered and allocated by means of a joint booking platform referred to in Article 27 of Commission Regulation (EU) No 984/2013 as well as thereafter.

2. The revenue originating from the bundled capacity product sales corresponding to the reserve price for such product shall be attributed to the respective transmission system operators:

   (a) after each transaction for a bundled capacity product; and

   (b) in proportion to the reserve prices for the capacities contributing to such product.

3. The auction premium originating from the bundled capacity product sales shall be attributed to the respective transmission system operators in accordance with:

   (a) the decision of the relevant national regulatory authority, where the interconnection point concerned connects adjacent entry-exit systems within one Member State or an entry-exit system with an interconnector; or

   (b) the agreement between the relevant national regulatory authorities, where the interconnection point concerned connects adjacent entry-exit systems of two Member States.

4. The decision or the agreement, as relevant, referred to in paragraph 3 shall be taken or entered into sufficiently in advance and no later than three months before the start of the auctions for all standard capacity products. In absence of such decision or agreement, as relevant, the auction premium shall be attributed to the respective transmission system operators in equal proportionsequally.

5. Once the agreement referred to in paragraph 3(b) is entered into, the respective national regulatory authorities shall submit it to the Agency for information.

*Article 40*
**Pricing of capacity at a virtual interconnection point**

1. The reserve price for a given unbundled standard capacity product offered at a virtual interconnection point shall be equal to the combination of the reserve prices for the respective unbundled standard capacity products offered at interconnection points contributing to such virtual interconnection point.

2. Where capacity in an entry-exit system is marketed by one transmission system operator, the reserve price referred to in paragraph 1 shall be:

(a) derived from the reference price calculated in accordance with the applied cost allocation methodology, where such methodology allows for taking account of the established virtual interconnection point;

(b) equal to the weighted average of the reserve prices, derived from the reference prices calculated for each interconnection point contributing to such virtual interconnection point, in accordance with the applied cost allocation methodology, where such methodology does not allow for taking account of the established virtual interconnection point, in accordance with the following formula:

$$P_{st,\,VIP} = \frac{\sum_i^n \left( P_{st,\,i} \times CAP_i \right)}{\sum_i^n CAP_i}$$

Where:

$P_{st,\,VIP}$ is the reserve price for a given unbundled standard capacity product at the virtual interconnection point;

i is an interconnection point contributing to the virtual interconnection point;

n is the number of interconnection points contributing to the virtual interconnection point;

$P_{st,\,i}$ is the reserve price for a given unbundled standard capacity product at interconnection point i;

$CAP_i$ is technical capacity or forecasted contracted capacity, as relevant, at interconnection point i.

3. In an entry-exit system where more than one transmission system operator is active, the reserve price referred to in paragraph 1 shall be calculated as follows:

(a) where the national regulatory authority(-ies) took a decision in accordance with Article 5(~~5~~4)(a), paragraph 2 shall be applied, *mutatis mutandis*;

(b) where the national regulatory authority(-ies) took a decision in accordance with Article 5(~~5~~4)(b), the reserve price shall be calculated in the following sequential steps:

(i) each transmission system operator shall follow the process set out in paragraph 2;

(ii) the weighted average of the resulting values referred to in point (~~a~~i) shall be derived in accordance with the formula set out in paragraph 2(b), *mutatis mutandis*.

4. Where the standard capacity product offered at a virtual interconnection point is a bundled capacity product, its reserve price shall be set as referred to in Article 39(1).


CHAPTER VII~~I~~
**CLEARING PRICE AND PAYABLE PRICE**

*Article 41*

**Calculation of ~~Payable~~ clearing price at interconnection points**

~~1.~~ The ~~payable~~ clearing price for a given standard capacity product at an interconnection point shall be calculated ~~as the sum of its reserve price and, if any, the auction premium,~~ in accordance with the following formula:

$$\text{~~PPP~~} _\text{cl} = P_\text{R,au}\text{~~RP~~} + AP$$

Where:

~~PPP~~$_\text{cl}$ is the ~~payable~~ clearing price;

$P_\text{R,au}$~~RP~~ is the applicable reserve price for a standard capacity product which is published at the time when this product is auctioned;

AP is the auction premium, if any.


*Article 42*
**Payable price at interconnection points**

1. The ~~reserve~~ payable price ~~referred to in paragraph 1~~ for a given standard capacity product at an interconnection point shall be calculated in accordance with either of the following formulas:

   (a) where the floating payable price approach is followed:~~, where such price is the one that is applicable at the time when the concerned standard capacity product may be used;~~

$$P_{flo} = P_{R,flo} + AP$$

   Where:

   $P_{flo}$ is the floating payable price;

   $P_{R,flo}$ is the reserve price for a standard capacity product applicable at the time when this product may be used, as set or approved by the national regulatory authority;

   AP is the auction premium, if any.

   (b) where the fixed payable price approach is followed:~~, where such price is the one that is applicable at the time when the concerned standard capacity product is auctioned;~~

$$P_{fix} = \left(P_{R,au} \times IND\right) + RP + AP$$

   Where:

   $P_{fix}$ is the fixed payable price;

   $P_{R,au}$ is the applicable reserve price for a yearly standard capacity product which is published at the time when this product is auctioned;

   IND is the chosen index which is accessible to the public;

   RP is the risk premium reflecting the benefits of price certainty, which shall be no less than 0;

   AP is the auction premium, if any.

   ~~(a) the combination of approaches referred to in points (a) and (b);~~

   ~~(b) fixed price referred to in point (b) with an additional variable charge.~~

2. The floating payable price approach shall be offered at each interconnection point. Subject to Articles 21 and 22, ~~T~~the fixed payable price approach ~~referred to in paragraph 2(b)~~ may be offered in addition to the floating payable price approach~~shall be followed in order to:~~ with the aim of achieving at least one of the following:

   ~~(a)~~ enhance stability of transmission tariffs while taking account of~~:~~

(i) the contribution that the revenues originating from capacity sales under such approach provide for revenue recovery; and

(ii)(a)     the objective of minimising cross-subsidisation between network users;

(b) promote long-term contracts;

(c) facilitate the offer of incremental and new capacity;

(d) promote financial stability of transmission system operators.

3. Where the approach referred to in paragraph 2(b) is followed, an effective revenue recovery mechanism shall be implemented, such as via the charge referred to in Article 4(5).

CHAPTER VIIIIX

**INCREMENTAL AND NEW CAPACITY**

*Article 4243*

**Economic test principles**

1. The economic test isshall be applied tofor each offer level of an incremental and new capacity project after the binding phase of the capacity allocation procedure. commitments of network users for contracting capacity have been obtained by the respective transmission system operators and shall consist of the following parameters:

2. For each offer level, the economic test compares the respective present value of binding commitments of network users with the respective share of the present value of the increase in regulated revenues.

3. For every offer level of a given incremental or new capacity project, the national regulatory authority or Member State, if the Member State so decides, shall approve the parameters of the economic test and the formula to be applied.

   (a) For each offer level, the economic test compares the respectivethe present value of binding commitments of network users for contracting capacity, which is calculated as the discounted sum of the following parameters:

   (i) the sum of the respective estimated reference price and a potential auction premium and a potential mandatory minimum premium multiplied with the amount of contracted incremental capacity;

(ii) the sum of a potential auction premium and a potential mandatory minimum premium multiplied with the amount of available capacity that was contracted in combination with the incremental capacity;

4.(b)     ~~with the respective share of~~ the present value of the estimated increase in ~~regulated~~the allowed revenue or target revenues of the transmission system operator that is attributable to the incremental capacity included in the respective offer level;.

~~(a)~~(c)     ~~T~~the f-factor that defines the minimum share of ~~the present value of the increase in regulated revenues for a given offer level of an incremental or new capacity project~~the parameter set out in point (b) that needs to be covered by ~~the present value of binding commitments of network users in order to have a positive economic test~~ the parameter set out in point (a).

3.   The outcome of the economic test application shall be:

(a) ~~The economic test is~~ positive ~~if~~, where ~~the present value of binding commitments of network users~~the value of the parameter set out in paragraph 1(a) ~~are~~ is at least equal to ~~or exceed the predetermined~~the share of ~~the present value of the increase in regulated revenues associated with a given offer level.~~the parameter set out in paragraph 1(b) as defined by the f-factor;

5.(b)     negative, where the value of the parameter set out in paragraph 1(a) is lower than the share of the parameter set out in paragraph 1(b) as defined by the f-factor.

6.4.     ~~For a given~~ An incremental ~~or new~~ capacity project~~,~~ shall proceed if the economic test has a positive outcome for at least one offer level that is including incremental capacity.  In case more than one offer level results in a positive outcome of the economic test, the offer level ~~reflecting~~with the ~~highest~~ largest amount of capacity ~~on offer with~~that resulted in a positive ~~economic test result~~outcome shall be used ~~as basis~~ for proceeding with the next phases of the incremental capacity project ~~development~~ towards commissioning.

## Article ~~43~~44

## The f-factor

1.   ~~The f-factor defines the share of the present value of the increase in regulated revenues for a given offer level of an incremental or new capacity project that needs to be covered by the present value of binding commitments of network users in order to have a positive economic test.~~

2. When approving the level of f-factor for a given offer level, the relevant national regulatory authority or ~~the~~ relevant Member State shall take into account the following:

(a) the ~~reservation quota for~~amount of technical capacity set aside in accordance with Article 8(8) and 8(9) of Commission Regulation (EU) No 984/2013 ~~to be applied~~;

(b) positive externalities~~, if any, benefitting~~ of the incremental capacity project on the market and/or the transmission network;

(c) the duration of binding commitments of network users for contracting capacity compared to the economic life of the asset; ~~and~~

~~(c)~~(d)    the extent to which the demand for the capacity established in the incremental ~~or new~~ capacity project can be expected to continue after the ~~capacity allocation~~end of the time horizon used in the economic test.

3. The part of the ~~regulated revenues~~allowed revenue or target revenue associated with the ~~new or~~ incremental capacity project which is not covered by binding commitments of network users for contracting capacity shall be covered by the future ~~capacity bookings~~contracting of the incremental ~~or new~~ capacity and to the extent future ~~bookings do~~contracting of the incremental capacity does not occur, be guaranteed through transmission tariffs paid by network users also at other points of the system or through another appropriate payment mechanism established by the relevant national regulatory ~~authority~~authorities or the relevant Member State~~s~~.

4. The mechanisms ~~as~~ described in paragraph ~~3~~2 shall also apply for the share of the present value of the increase in ~~regulated revenues~~allowed revenue or target revenue defined by the f-factor if ~~the initial booking or parts of the initial booking are~~all or part of binding commitments of network users for contracting capacity is for any reason cancelled.

*Article ~~44~~45*
**Combination into single economic test**

1. In order to facilitate the offer of bundled capacity products, individual economic test parameters of the involved transmission system operators for a given offer level shall be combined into a single economic test.~~One combined present value of the increase in regulated revenues and f-factor per offer level shall be specified for a single economic test:~~

~~1.~~2.    The single economic test shall consist of the following parameters:

(a) the present value of binding commitments of network users for contracting bundled capacity, which is the sum of the values according to Article 43(1)(a) of the involved transmission system operators;

(a)(b) the present value of the increase in regulated revenues of the single economic test shall be the sum of the individual present values of the estimated increase in regulated revenues the allowed revenue or target revenue of the involved transmission system operators involved that is attributable to the incremental capacity of a respective offer level;

(b)(c) the f-factor of the single economic test shall be defined in a way that defines the share of the parameter set out in point (b) that needs to be covered by the parameter set out in point (a) and allows all the involved transmission system operators individually to cover their individual upfront individually defined respective shares. of their respective present value of the increase in regulated revenues according to Article 43(1).

3. The outcome of the single economic test application shall be positive where all underlying economic tests result in positive outcomes as set out in Article 43(2)(a) taking into account a possible redistribution of revenues according to paragraphs 4 and 5. Otherwise, the outcome of the single economic test application shall be negative.

2. The present value of the estimated increase in regulated revenues and f factor of the single economic test shall be submitted by the involved transmission system operators to the relevant national regulatory authorities or Member States for co-ordinated approvals.

3.4. In case a redistribution of revenues could potentially lead to a decrease in the level of binding commitments of network users for contracting capacity required to havefor a positive single economic test outcome, transmission system operators andmay submit to the relevant national regulatory authorities or Member States may agree onfor co-ordinated approvals the mechanisms for a redistribution of revenues from the incremental or new capacity.

4.5. Potential A redistribution of revenues shall may be considered in the following wayscarried out as follows:

(a) transmission system operators and national regulatory authorities may agree on a redistribution of revenues in during the process of integrating the individual economic test parameters into a single economic test;

(b) transmission system operators and national regulatory authorities may agree on a redistribution of revenues in case the single economic test result ishas a negative outcome while at the same time the actual level of binding commitment of network

users ~~would be more than~~for contracting capacity exceeds the minimum required to cover the individual present value of the increase in the allowed ~~revenues~~revenue or target revenue for at least one of the involved transmission system operators~~;~~.

~~(c) if incremental or new capacity is offered in an open season procedure, transmission system operators and national regulatory authorities may agree on a redistribution of revenues within the binding phase of the open season procedure, in case the need for such an agreement becomes apparent in order to have a positive economic test. An additional round of binding commitments may be conducted by the involved transmission system operators.~~

*Article ~~45~~46*

**Publication requirements relating to the economic test**

1. For a given incremental ~~or new~~ capacity project, ~~the following information shall be submitted by the involved~~ the transmission system operator(s) shall submit to the ~~respective~~ relevant national regulatory authority(-ies) for approval the following information for each offer level:

   (a) the ~~estimated projection of indicative~~ reference prices estimated for the time horizon of the initial offer of incremental capacity that are used ~~in order to calculate the present value of binding network user commitments for each offer level and for each interconnection point according to Article 46(1).~~ for the calculation of the parameter set out in Article 43(1)(a) and 45(2)(a), as relevant;

   ~~(a)~~(b)    the parameters set out in Article 43(1)(b) to (c) and 45(2)(b) to (c), as relevant;

   ~~(b) the present value of the estimated increase in regulated revenues associated with the incremental or new capacity project for each offer level;~~

   ~~(c) the f factor to be applied to each offer level;~~

   ~~(d)~~(c)    ~~the estimated projection of indicative reference prices that are used in order to calculate the present value of binding network user commitments for each offer level and for each interconnection point according to Article 46(1).~~

   (d) if applicable, the mandatory minimum premium for each offer level and interconnection point applied in the first auction and possibly in subsequent auctions in which the incremental capacity is offered as defined in Article 47(2).

2. ~~After~~ Following the approval of the relevant national regulatory authority(-ies), ~~according to paragraph 1,~~ the information set out in paragraph 1 shall be published by the involved transmission system operator(s) ~~shall publish the information according to~~ as set out in Article 20~~b(3)~~c(5) of Commission Regulation (EU) No 984/2013.

*Article 46̶47*

**Tariff principles for incremental ~~and new~~ capacity**

1. The minimum price at which network users can request incremental ~~and new~~ capacity is the reference price resulting from the cost allocation methodology. ~~Reference~~ For the calculation of the economic test, reference prices shall be estimated by making the relevant assumptions taking into account the incremental ~~or new~~ capacity to be provided.

2. ~~The estimations of reference prices to be used for the calculation of the present value of binding network user commitments shall be approved by the respective national regulatory authority.~~

3. ~~National regulatory authorities may decide to apply the mechanisms defined in paragraphs 4 and or 5 if at least one of the following conditions is met:~~

2. ~~i~~In case the allocation of all incremental ~~or new~~ capacity ~~offered~~ at the reference price ~~according to paragraph 1~~ would not generate sufficient revenues for a positive economic test~~;~~ outcome, a mandatory minimum premium may be applied in the first auction in which the incremental capacity is offered.  The mandatory minimum premium may also be applied in subsequent auctions when the capacity is offered that initially remained unsold or when capacity is offered that was initially set aside according to Article 8(8) and 8(9) of Commission Regulation No (EU) 984/2013.  The decision on whether and in which auctions to apply a mandatory minimum premium is subject to the approval of the relevant national regulatory authority.

3. The level of the mandatory minimum premium shall enable a positive economic test outcome with the revenues generated by the allocation of all offered capacity in the first auction in which the incremental capacity is on offer.

4. A mandatory minimum premium approved by the national regulatory authority shall be added to the reference price for the bundled capacity products at the respective interconnection point and shall exclusively be attributed to the transmission system operators, for which the mandatory minimum premium was approved by the respective national regulatory authority.  This default principle for the attribution of a mandatory minimum premium is without prejudice to the provisions on the split of a possible additional

auction premium according to Article 39(3) or an alternative agreement between the involved national regulatory authorities.

(a)5.  In case initial commitments for contracting of incremental capacity by network users are for any reasons cancelled, the transmission system operator may charge the outstanding amounts resulting from a mandatory minimum premium for the initial contract duration to the respective network users.

~~(b) in case the reference price is set to a level not attracting sufficient capacity bookings for a positive economic test;~~

(c)6.  Where a mandatory minimum premium is applied and ~~in case~~ the relevant national regulatory authorities have reasonable doubts whether future capacity bookings will generate sufficient revenues to cover ~~the present value of the increase in regulated revenues associated with the incremental or new capacity project.~~ the allowed revenues or target revenues associated with the incremental capacity beyond the initial time horizon for booking capacity, the part of the revenues following from the mandatory minimum premium shall be used for measures to mitigate possible future under-recovery with regard to the incremental capacity.  The extent of the occurrence of such under-recovery shall be monitored by the transmission system operators.  When, in the future, under-recovery of the increase in allowed revenues or target revenues associated with the incremental capacity does not occur, over-recovery at that time shall be prevented by using the accumulated revenues from the mandatory minimum premium in accordance with the applicable cost allocation methodology.  This may be achieved by:

(a) including the associated revenues into the revenue recovery mechanism as set out in Chapter VI;

(b) a specific account separate from the regulatory account;

(c) an adjustment of the yearly rate of depreciation for the incremental ~~or new capacity can be adjusted in~~ capacity in accordance with the outlook on the level of contracting of the incremental capacity in order to increase the alignment between the duration of binding commitments of network users for contracting capacity and the economic life of the asset; ~~The methodology to estimate the reference prices used for the calculation of the present value of binding network user commitments shall reflect the adjustment of the yearly rate of depreciation.~~

~~4.~~(d)  any other measure agreed between the respective transmission system operator and national regulatory authority.

5.  An adjustment of the tariff paid by those network users booking capacity in the first auction in which incremental or new capacity is offered may be introduced. When a tariff adjustment is applied, the default option is the application of a premium to the tariff paid by those users booking capacity in the first auction in which the incremental or new capacity is offered. Unless the involved national regulatory authorities agree otherwise, the minimum auction premium shall be attributed to those transmission system operators, for which the required present value of network user commitment cannot be reached without this premium.

CHAPTER IX

**FINAL AND TRANSITIONAL PROVISIONS**

*Article 4748*

**Mitigating measures**

1.  The implementation of any mitigating measure shall be subject to the approval by the national regulatory authority.  A transmission system operator may apply for the implementation of a mitigating measure(s):

(a) for a time period which lasts no longer than the date referred to in the second subparagraph of Article 49.  In such case, the transmission system operator shall demonstrate that the application of this Regulation as from this date results in undue negative impacts.

(b)1.  for a time period which lasts no longer than twenty four months as from the date referred to in the second third subparagraph of Article 4950.  In such case, the transmission system operator shall demonstrate that the application of this Regulation as from this date results in an increase of the transmission tariffsreference price applicable for the next tariff period at an individual at least at one entry or exit point by more than twenty percent as compared to the current tariff period.

2.  The detailed design of mitigating measures shall be defined by the transmission system operator or the national regulatory authority, as relevant.  Such measures may include the following:

(a) use of auction premium earned in the previous tariff period auction premium that exceeds the allowed revenue applicable for that tariff period for the purpose of decreasing the transmission tariffs applicable for the current tariff period at those interconnection points where the auction premium was earned;

(b) apportionment of any increase of or decrease in transmission tariffs applicable for two consecutive tariff periods over a number of tariff periods.

## Article 4849

### Transitional provisions

1. The implementation of a transitional period shall be subject to the approval by the national regulatory authority.  A transmission system operator may request to apply this Regulation as from a date no later than twenty four months as from the date referred to in the second third subparagraph of Article 4950.  In such case, the transmission system operator shall demonstrate that the application of this Regulation as from the date referred to in the second third subparagraph of Article 4950:

(a)(1) may affect the execution of specific contracts; or

(b)(2) does not coincide with the beginning of the gas year, the regulatory period or the tariff period.

2. Based on the request of the transmission system operator referred to in paragraph 1, the national regulatory authority shall define the date as from which the transmission system operator concerned shall apply this Regulation.  This date shall be defined, as relevant:

(a) as either the date following the end of term of the contracts referred to in paragraph 1(a); or

(b) as the beginning of the gas year, the regulatory period or the tariff period.

## Article 4950

### Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

As from the date of the entry into force of this Regulation, Article 26 of Commission Regulation (EU) No 984/2013 shall not be applied.

This Regulation shall apply as from whichever of the following dates is the later:

(1) 1 October 2017; or as from

(2) the first day of the month following the date calculated as eighteen twenty four months as from the entry into force, whichever date is the later.

This Regulation shall not affect the price foreseen in the contracts concluded before the entry into force of this Regulation, where such a price is calculated in a way other than as set out in Article 42(1)(a).

This Regulation shall be binding in its entirety and directly applicable in all Member States.