BUSINESS RULES III

Cost Allocation and Determination of the Reference Price

1. General

1.1 The choice of cost allocation methodology shall reflect system characteristics in order to best achieve the objectives of non-discrimination, competition and promotion of cross-border trade.

1.2 At least every 4 years, the relevant authority shall assess all assumptions regarding the stability and evolution of the input parameters to the tariff methodologies against relevant available technical and market data and outlooks.

2. Cost allocation methodology selection

2.1 At the entry into force of the Network Code on Tariffs, NRAs, or where appropriate TSOs, shall launch a public consultation on the proposed methodology for determining reference prices.

2.2 The choice of a cost allocation methodology is limited to postage stamp, capacity weighted distance, distance to the virtual point approach and matrix.

2.3 The choice of methodology will be determined by the circumstances criteria, a cost allocation test and a methodology counterfactual. The NRA will consider each of these to assess the appropriateness of the methodology before deciding on the cost allocation methodology to be implemented.

3. Circumstances influencing the choice of a cost-allocation methodology

3.1 The use of a postage stamp methodology should be limited to networks where one of the following two criteria is met:

a) Where at least two thirds of the transmission capacity is dedicated either to the domestic market or to cross border gas flows; or

b) The difference between the average distance travelled by cross-border flows and the average distance travelled by domestic flows does not exceed a maximum threshold of fifty percent.

3.2 In a network with a unique geographical node where all the flows converge can be identified, the virtual point based methodology may be used.

3.3   The choice for or against the matrix methodology, or the virtual point methodology, relative to the capacity weighted distance methodologies, shall consider both the drawback of necessary network representation simplifications and the benefit in cost reflectivity, as compared to the capacity-weighted distance approach.

3.4   [Further specification of circumstances]

4.   Methodology counterfactual

4.1   A methodology counterfactual shall be developed which consists of comparing the chosen cost allocation methodology with at least one other cost allocation methodology from the limited number of methodologies allowed.

4.2   All of the relevant input data necessary to determine the tariffs for the counterfactual methodology shall be provided.

4.3   The postage stamp methodology may be used for counterfactual purposes, even where it cannot be applied as the cost allocation methodology due to the restrictions specified in the circumstances requirements.

4.4   Where the proposed cost allocation methodology is the postage stamp methodology, it is not necessary to provide a counterfactual.

4.5   If the NRA considers that the methodology counterfactual better meets the objectives of the TAR NC, and if it better satisfies the circumstances requirements and meets the cost allocation test, then it may be approved and implemented instead of the original chosen methodology.

4.6   In establishing the counterfactual, the primary data inputs and assumptions shall be applied consistently with the chosen methodology.

5.   Cost allocation test

5.1   A cost allocation test shall be carried out comparing expected revenues and cost drivers of domestic and cross-border points to provide an indication of the cost reflectivity of the cost allocation methodology being used.

5.2 The NRA, or the relevant TSO, shall be responsible for correctly calculating and publishing the results of the test in the official language(s) of the Member States and in English.

5.3 The test should be carried out after the application of the chosen cost allocation methodology and after the application of secondary adjustments, if any. The test should also be carried out on the counterfactual cost allocation methodology, if any.

5.4 The test shall be based on physical cost drivers such as distance and capacity, where these cost drivers are taken into account. If multiple cost drivers are identified, the relative importance of the cost drivers shall be explained.

5.5 The assumptions used in connection to the cost drivers and the cost allocation shall be explained.

5.6 The test shall consist of two ratios, as set out below:

5.6.1 $$Ratio\ 1 = \frac{total\ revenue\ from\ entry\ and\ exit\ points\ for\ domestic\ customers}{cost\ drivers\ for\ domestic\ customers}$$

5.6.2 $$Ratio\ 2 = \frac{total\ revenue\ from\ entry\ and\ exit\ points\ for\ cross\ border\ customers}{cost\ drivers\ for\ cross\ border\ customers}$$

5.7 In determining the revenue for domestic and cross border customer and also the capacity (if used as a cost driver), the amount of cross-border exit capacity shall be used as a proxy for the amount of entry capacity dedicated to cross-border use on networks where such information is not readily identifiable. The rest of the entry capacity shall be considered as dedicated to domestic use.

5.8 If distance is used as a cost driver then the average distance used for both cross-border and domestic entry and exit points shall be determined by using a weighted average formulation. The weighting used could either be technical capacity, booked capacity or flows depending on what is used in the cost allocation methodology being assessed.

5.9 The NRAs shall justify the reasons for any deviation between the two ratios by more than 10%, where the first ratio is compared to the second.

5.10 If a deviation exceeding 10% results from the use of alternative charges e.g. commodity charges to collect revenues and/or reconcile the regulatory account on points not under the scope of CAM, the NRA shall ensure the revision of the alternative charges so that the deviation between the two ratios does not exceed the 10% limit.

6. Cost Allocation Methodology Consultation

6.1 The public consultation on the proposed methodology for determining reference prices shall be launched by the NRA or, where appropriate, by the TSO once the Tariff NC enters into force.

6.2 This documentation shall be published in the official language(s) of the Member State and in English.

6.3 This documentation shall consist of:
   i. the assessment of the proposed cost allocation methodology against the specified circumstances influencing its choice;
   ii. the relevant input data necessary for the calculation of tariffs pursuant to the proposed methodology;
   iii. the results of the application of the cost allocation test, including, in case of the deviation between the two cost allocation ratios of >10%, an explanation and justification for the extent of the deviation;
   iv. at least one methodology counterfactual accompanied by the same information as foreseen for the chosen cost allocation methodology, except in the case where postage stamp is used as the primary methodology.

6.4 After the close of the public consultation the NRA shall fix or approve the proposed cost allocation methodology or, unless the NRA has decided to adopt the counterfactual methodology.

6.5 The decision of the NRA shall be accompanied by a detailed explanation and reasoned justification for the choice of cost allocation methodology to be used.

6.6 Such detailed explanation and reasoned justification shall take account of the information in relation to:
   i. circumstances criteria,
   ii. the results of the cost allocation test,
   iii. the methodology counterfactual,

iv.   responses to the public consultation

6.7   The NRA shall review and update the detailed explanation and the reasoned justification for the choice of the cost allocation methodology at least every 4 years.

6.8   The NRA shall conduct a public consultation following each review on any changes proposed as a result of such review.

6.9   The NRA shall approve the proposed changes after the close of the public consultation.

7.   Transmission Services

7.1   Transmission services shall be defined at 'any service necessary to transport natural gas through a transmission system, excluding those activities which may be linked to local requirements, depending on national circumstances (e.g. regional and local transmission activities, flexibility services, metering, depressurisation, ballasting, quality conversion, biogas related services, odorisation, system operation services for third parties and any other dedicated services or infrastructures)'.

7.2   All of the revenue from the transmission services as defined in 7.1 shall be an input to the cost allocation methodology unless the following charge is in place.

7.2.1   A specific charge related to the volume actually flowed may be established if approved by the NRA.

7.3   All of the revenue from the transmission services as defined in 7.1 shall be an input to the cost allocation test even if some of that revenue is earned from the charge as set out in 7.2.1.

7.4   The revenue from the excluded activities as set out in 7.1 may be excluded from the cost allocation methodology and charged separately.

8.   Other Charges/Non-capacity based charges

8.1   The collection of revenue shall be based on capacity charges except in specific cases where the NRA may approve or determine a specific non-capacity based charge.

8.2   A specific non-capacity based charge, which may be expressed in monetary terms or in kind, and is related to the volume actually flowed, may be established to cover costs that are mainly driven by the volume actually flowed, if approved or determined by the NRA.

8.3   Where a specific charge related to volume is applied, it shall be levied equally for all entry points and equally for all exit points, based on the actual flows of individual network users.

8.4   For points not under the scope of CAM, alternative charges, e.g. commodity charges, may be used to recover revenue resulting from a gap between the allowed revenue and the actual revenue earned.

8.5   In applying such alternative charges for revenue recovery, the concerned NRA shall demonstrate that they are cost reflective and do not result in cross subsidies between domestic and cross border points. Before such alternative charges are applied, the concerned NRA should submit the result of the assessment to the Agency.

9. The entry-exit split

9.1   An entry-exit split is the split between the revenue to be recovered from entry points of an entry-exit-zone in a Member State and the revenue to be recovered from its exit points.

9.2   In order to avoid barriers to cross-border trade and cross-subsidies between types of network users, especially between cross-border and domestic network users, in setting or approving the cost allocation methodology, the NRA may apply a split based on cost drivers, such as capacity and distance. Otherwise, the NRA shall adopt a 50:50 split as a general principle.

9.3   The split can be either a result of or an input to the applied cost allocation methodology.

9.4   [For cross border entry-exit zones the split shall be determined or approved by all involved NRAs.]

10. Distance, Average Distance and Network Representation

10.1 The point-to-point distance between an entry point (specific entry point or clustered entry point) and an exit point (specific exit point or clustered exit point), which is needed

to calculate average distances in the network, shall be calculated using an approach such as the::

    i.   Euclidean approach (airline): this is the shortest straight line distance between two points in a transmission system based on their coordinates, or

    ii.   Path approach (pipeline): the measured distance of a pipeline route connecting an entry point to an exit point based either on the shortest or average measured distance where more than one pipeline route could apply.

10.2   Average distances in the network (used for the cost-allocation test and the criteria for applying the postage stamp methodology) can be calculated based on the distance matrix from each (clustered) entry point to each (clustered) exit point.

10.3   Average weighted distance can be calculated for a certain entry point, a certain exit point or a group of points:

Average Weighted Distance for a certain Exit Point:

$$=(\sum i (Weight\ of\ entry\ point_i) \times (distance\ between\ entry\ point_i\ and\ exit\ point_j)))/(\sum i (Weight\ of\ entry\ point_i)$$

Average Weighted Distance for a certain Entry Point:

$$=(\sum j i (Weight\ of\ exit\ point_j) \times (distance\ between\ entry\ point_i\ and\ exit\ point_j)))/(\sum j i j (Weight\ of\ exit\ point_j)$$

Average Weighted Distance for a group of Points:

$$=(\sum j (Weight\ of\ certain\ point_j) \times (Average\ distance\ of\ certain\ point_j)))/(\sum j (Weight\ of\ certain\ point_j)$$

10.4   A weighted average approach may be used for calculating the average distance with the weights based on e.g. capacity (technical or booked) or flows.

10.5   Network representations may be complicated and detailed; therefore it is not always appropriate or practical to use the TSO's detailed network model when applied to a particular cost allocation methodology.

10.6 A simplification of the network representation, for the purpose of calculation of average distances may be carried out.

10.7 Simplification of the network representation can be carried out by e.g. clustering points. The entry or exit points can be clustered, for example, on the basis of geography or the type of point.

10.8 The level of simplification shall be considered with regards to the relevant cost allocation methodology and shall be approved by the NRA.

11. Inputs for Cost Allocation Methodologies

11.1 The inputs for cost allocation methodologies listed here below shall reflect the expected situation of the system for the relevant tariff period. This means that, for example, the capacity data used (technical or booked) shall reflect the expected future technical or booked capacity for the tariff period on which the allocation methodology is applied.

COSTS/FINANCIAL INPUTS

11.2 In line with its definition, the cost allocation methodology determines how the regulated transmission revenue is allocated to the different transmissions services. Therefore, the main input required for the cost allocation methodology is the regulated transmission services revenue.

11.3 For some cost allocation methodologies, specific costs of parts of the network components (pipelines, compressors, etc.) are used as cost drivers. These specific costs, used as cost drivers, can be two types of cost concepts: observed costs or incremental costs.

11.4 Inputs such as the indexes of inflation, realised inflation and depreciation should be taken into account to their full extent where used in the cost allocation methodology.

11.5 Observed costs reflect the costs of the existing system and can be represented by historical costs or replacement costs.

11.6 The observed costs shall be recorded in the audited financial statements or shall be approved by the NRA if the regulatory accounting rules are different from the commercial accounting rules.

11.7 Incremental costs reflect the costs of expanding the system and can be represented as either long run average incremental costs, standardised costs of expansion of the system and investment plan based costs.

11.8 Incremental costs may be the appropriate costs to use in expanding systems, either resulting from an increase in demand, or triggered by a change in the general system sourcing (including a change in the proportion of domestic/ cross-border flows).

11.9 Observed costs may be the appropriate costs to use in systems with constant or decreasing consumptions and that have limited or stable supply sources.

CAPACITY/FLOWS/SYSTEM CHARACTERISTIC INPUTS

11.10 The relevant capacity data, (technical or booked), which relates to all network points to which the tariff methodology applies, should be specified. This would allow the total entry and the total exit capacity to be identified.

11.11 The capacity data used can be the technical capacity, the booked capacity or the flow resulting from a given demand/supply scenario. When capacity is based on flows as a proxy the reference conditions of the demand/supply scenario flows should be specified. These reference conditions may be peak conditions associated with measured values or average values considered for contractual values.

11.12 When the cost allocation methodology requires the flow direction as an input, it should be specified. Flows, for the network points to which the tariff methodology applies, should be specified. This would allow the total flows from entry points and exit points to be identified.

11.13 Some networks are capable of different physical flow directions and have several peak scenarios. In such systems, using flows based on supply/demand scenarios as a proxy for capacity could create inappropriate locational signals due to unstable flow patterns, in which case technical or booked capacity approaches might be better alternatives.

11.14 When forecasting capacities where technical capacity is used for the tariff calculation, reference may be made to the relevant National Development Plan (NDP) or to ENTSOG's TYNDP. Any deviations between these development plans and capacities used shall be justified.

11.15   When forecasting capacities where booked capacity is used for the tariff calculation, the forecasted bookings are based on a commercial estimation by the TSO created on the basis of actual bookings and forecasted bookings. The input data depends on the TSO estimation.

11.16   When forecasting capacities where flows are used for the tariff calculation, the flow approach takes both supply and demand into account (the demand estimation could be a peak estimation or based on a national demand forecast). This approach considers the capacity in the system in certain flow situations. The input data depends on the system optimisation and does not consider bi-directional points and storages in both configurations

11.17   The network representation used as an input to the methodology should be detailed or simplified depending on what is necessary for the chosen allocation methodology. Segments and nodes may be used to simplify the network representation.

11.18   Technical network information such as pipeline sizes, lengths and diameters and compressor stations power may be provided as an input, if relevant.

11.19   The capacity assumption used in the cost allocation methodology shall be consistent with the economic signals expected from the chosen methodology.

12. Main cost allocation methodologies

12.1 [One and the same primary cost allocation methodology shall apply to all entry and exit points on an entry-exit system. This rule shall equally apply to entry-exit-zones including several TSO networks.]

12.2 [Nothing in the Network Code on Tariffs shall prevent NRAs from establishing and/or approving for each entry-exit zone comprising several TSOs networks an inter-TSO compensation mechanism, as this may be required to reconcile collected revenues with allowed revenues.]

13. Postage stamp

13.1 The outputs from the postage stamp methodology are a single reference price at all entries and a separate single reference price at all exits.

13.2 The inputs for the methodology are the allowed revenue, the assumptions on capacity bookings and the split between entry and exit revenues where this is used as an input.

13.3 The reference price for each category of points is calculated by taking the target revenue for entry/exit and dividing it by the total booked capacity (or a relevant proxy) assumed for entry/exit points.

14. Capacity-Weighted Distance approach

14.1 The inputs for the capacity weighted distance approach are the technical capacities, forecasted booked capacities, transmission services revenue, the split of revenue between the entry and exit points on the system (where this is used as an input), a (simplified) representation of the network with the distances between entry points and exit points

14.2 Where the calculation is based on only the relevant combinations of entries and exits, an additional input is needed: the supply/demand scenarios for identification of the combinations of entries and exits.

14.3 The first step of the methodology is to calculate the weighted average distance of each entry (respectively exit) point through following steps:

14.3.1 Step A: Identify the distance from the entry (respectively exit) point to each exit (respectively entry) point. In case not all combinations of entry and exit points are relevant, limit the calculations in this step to all relevant combinations only.

14.3.2 Step B: Calculate the weighted average of distances for each entry and exit point based on the relevant combinations in Step A above, the weight used is the capacity (booked or technical) of the exit (respectively entry) points.

$$Weighted\ Average\ distance\ of\ Entry_i$$
$$= \frac{\sum_j \left(\left(Distance\ between\ Entry_i\ and Exit_j \right).\left(Capacity\ of\ Exit_j \right) \right)}{\sum_j \left(Capacity\ of\ Exit_j \right)}$$

Where "j" stands for all relevant Exit points

$$Weighted\ Average\ distance\ of\ Exit j$$
$$= \frac{\sum_j \left((Distance\ between\ Exit_j\ and\ Entry_i).(Capacity\ of\ Entry i) \right)}{\sum_{jij}(Capacity\ of\ Entry i)}$$

Where "i" stands for all relevant Entry points

14.4 The second step is to calculate the cost weight of each entry (respectively exit) point: the cost weight of each entry (respectively exit) point is determined as the ratio between the product of its forecasted booked capacity with its average distance and the sums of such products for all entry (respectively exit) points.

14.5 The third step is to allocate a share of the transmission services revenue to each entry (respectively exit) point by multiplying the total share of the transmission services revenue to be collected from entry points (respectively exit points) by the cost weight of each entry point (respectively exit point).

14.6 Finally, determine the tariffs by dividing the share of the transmission services revenue to be collected from each point by its forecasted booked capacity.

15. Virtual point based approach

15.1 The principle of the virtual point based approach is to determine entry and exit tariffs for each point to which the tariff applies by weighting capacity at these points according to their distance to a virtual point.

15.2 The virtual point is a theoretical location which can be determined mathematically for Variant A or determined geographically for Variant B.

Variant A

15.3 The inputs needed for the virtual point based approach (Variant A) are an accurate representation of the physical network, the transmission services revenue, entry/exit split, an appropriate peak day gas flow scenario, a network cost expansion factor (€/GWh/km), an annuitisation factor and where necessary to meet allowed revenues, an additive constant.

15.4 The flow distance values for the pipeline segments on the network must be calculated. The value for each segment is the product of the distance and network flows at peak between each point and its nearest node.

15.5 The flow distance values between each point and a selected single node on the network (known as the reference node) are summed and allocated to each entry and exit point.

Where more than one path is available between entry and exit points, the path which minimises the flow distance is selected.

15.6 Flow Distance values are recorded as positive for a given pipeline segment when transporting gas between the reference node and the given entry or exit point (or between nodes) would be consistent with the direction of flows at peak. In an unmeshed network, this path is unique; in a meshed network, it is obtained from computer modelling.

15.7 Flow Distance values are recorded as negative for a given pipeline segment when transporting gas between the reference node and the given entry or exit point (or between nodes) would be contrary to the direction of gas flows at peak.

15.8 The flow distance values for each entry and exit point are adjusted to derive a constant consistent with a given entry/exit split. Having established the constant, it is then added to the flow distance values for all entry points, and subtracted from the flow distance values for all exit points.

15.9 To determine the reference prices for each entry and exit point, the adjusted flow distance values are multiplied by the expansion constant, and then the annuitisation factor

Variant B

15.10   A number of inputs are needed for the virtual point based approach (Variant B) such as the technical capacities and forecasted booked capacities for all the entry and exit points on the system.

15.11   The geographical location of the virtual trading point must be identified and this can be determined by selecting a dominant node in the network where most flows occur. It can be also determined geographically based on the capacity weighted average of the geographical location of all entry and exit points.

15.12   The proportion of entry (or exit) capacity at each point is calculated relative to the total entry and exit capacity. The geographical location (longitude and latitude) of each entry (and exit) point is multiplied by its proportion factor. The location of the virtual point is determined by summing the capacity weighted geographic locations.

15.13   The distance between each entry point and the virtual point is calculated as well as the distance between each exit point and the virtual point.

15.14 The revenue to be collected from all entry points and all exit points is calculated from the capacity-weighted distance to the virtual point.

15.15 The capacity-weighted distance to the virtual point for entry and exit points is calculated separately. The sum of capacity-weighted distances for entry points and the sum of capacity-weighted distances for exit points is used to determine the entry-exit split.

15.16 The revenue collected from all entry points (and revenue collected from all exit points) is calculated by multiplying the total revenue by the entry share (and exit share for revenue collected from all exit points).

15.17 The tariffs are determined by minimising the difference between the calculated revenue from entries and exits, and the revenue to be obtained by multiplying tariffs by booked capacities.

16. Matrix approach

16.1 The following inputs are needed for the matrix approach: A unitary transmission cost index, e.g. depending on pipe diameter and its theoretical physical capacity, and a description of the physical network where each portion of the grid (segment), has an associated length, diameter and prevailing flow direction. A representation of all entry/exit paths (and the segments they are composed of) is also needed.

16.2 The unit cost of each segment, determined for prevailing flow and backhaul, is calculated using the unitary transmission cost index multiplied by its length. Backhaul valorisation is determined by the NRA or TSO in the range between zero (no cost associated) and one (cost associated equal to prevailing flow).

16.3 To calculate the unit cost for each possible path, the unit costs of all the segments included in the path are summed up.

16.4 In case of meshed networks, where multiple paths are possible to link the same couple of entry-exit points, the cost associated to the path can be derived as the minimum or, alternatively, as the average of all paths costs.

16.5 Once the costs of all paths have been determined and a matrix composed by all unit cost combinations between entry and exit points has been created, entry and exit charges shall be calculated by an optimisation algorithm: for every path, the difference between

the unit cost and the sum of the corresponding entry and exit charges is calculated and squared. The sum of the squared differences for the entire matrix is then minimised.

16.6 A constraint shall be put in place, to avoid negative entry or exit tariffs.

16.7 In case of multiple solutions, their number can be reduced by introducing additional restrictions, such as fixing the split between entry and exit or applying a further derivation to arrive at a unique solution such as fixing one tariff which acts as a constraint on the optimisation.

17. Secondary adjustments

17.1 NRAs may decide to adjust a primary cost allocation methodology and the associated initial tariffs derived from it at a national level by applying secondary adjustments.

17.2 Where secondary adjustments are used, only Rescaling, Equalisation and Benchmarking shall be allowed.

17.3 The secondary adjustments shall be applied in a fully transparent manner and shall not undermine the basis for using a given primary methodology.

17.4 Secondary adjustments can be applied at the end of the application of a primary methodology. For rescaling and equalisation, it is possible for the secondary adjustment to be embedded in the primary methodology by creating one or more homogenous sets of points at the beginning of the calculation.

18. Rescaling

18.1 The application of rescaling consists of increasing or decreasing the initial tariffs for entry and/or exit points.

18.2 Rescaling shall be applied either to adjust the initial tariffs that result from the primary cost allocation methodology in order to recover the allowed revenue and/or to avoid negative capacity charges.

18.3 Rescaling shall be performed either by topping up the initial tariffs with an additive constant or by multiplying them by a constant multiplier. The corresponding multiplier or additive constant for entry and for exit points shall uniformly apply to all entry points the system and/or all exit points in the system respectively.

18.4 If alternative charges are used at non-CAM points then the use of rescaling to adjust the tariff to recover the allowed revenues should not apply uniformly to all entry and/or exit points as described in in 18.3. Rescaling may be limited to those points that do not have an alternative charge to reconcile revenues.

18.5 Where rescaling is used to close the gap between initial tariffs and the revenue to be recovered, the assessment shall cover the consistency of this rescaling with the economic signals and locational signals expected from the chosen primary cost allocation methodology.

18.6 An assessment of the effect of rescaling on the entry/exit split which was achieved from the application of the primary methodology should be produced.

19. Equalisation

19.1 Equalisation results in the same tariff for each homogenous set of points in the system. Subject to 19.2, equalisation can be applied to one or more set of homogenous entry or exit points at any one time.

19.2 Each homogenous set of points subject to equalisation can only include either domestic points, or cross-border points, in order to avoid cross - subsidisation between cross-border and domestic customers.

19.3 An exhaustive list of the points that could be considered in an homogenous set of points are as follows: Entry interconnection points, Exit interconnection points, Domestic entries, Domestic Exits, Entries from Storage, Exits to Storage, Entries from LNG re-gasification terminals, Exits to LNG liquefaction terminals, Entries from production points, taking 19.2 into account.

19.4 Equalisation can only be applied for reasons of security of supply or price stability or fostering competition in the retail market and/ or in the renewable energy sector.

19.5 If an NRA decides to equalise the tariffs for each homogenous set of points then justification for this decision shall be provided at a national level, taking account of trade-offs between the loss of locational signals and the improved tariff stability anticipated by applying equalisation.

20. Benchmarking

20.1 Benchmarking implies reducing the tariff at one point in order to attract greater gas flows. Higher capacity sales at this point would be expected to offset the need for increased tariffs at other points in order to collect allowed revenues.

20.2 Benchmarking shall be limited to the point, where the TSO faces effective competition from other TSOs' point or route. The tariff reduction shall be limited to what is strictly necessary to adjust to the competitive tariff level.

20.3 The application of benchmarking shall be decided by NRAs on a case by case basis.

20.4 Benchmarking may be applied where there is proof that effective pipeline-to-pipeline competition exists and the effect of the benchmarking on the entry/exit split obtained from the strict application of the main methodology is minimised.

20.5 Benchmarking may be applied where it is possible to demonstrate that the outcome of any methodology would not allow to meet the competitive tariff level and that the outcome of benchmarking leads to better meeting the objectives of the Gas Regulation.

20.6 In the application of benchmarking, neighbouring NRAs shall cooperate with each other in order to ensure a consistent and compatible approach across the Member States concerned.

20.7 The proposal for reducing a tariff based on benchmarking, as well as the corresponding tariff increases and the NRA's reasoning, shall be publicly consulted before the tariffs are set.

21. Storage

21.1 In setting or approving tariffs for entry and exit points from and to gas storage facilities, NRAs shall consider the benefits which storage facilities may provide to the transmission system and the need to promote efficient investments in networks.

21.2 NRAs shall also minimise any adverse effect on cross-border flows.