



Energy Community Regulatory Board

Status review of transmission tariffs and treatment of cross - border
transmission flows and recommendations

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Background

- ❑ **Cross – Border Transmission tarification – ECRB GWG Work Programme 2010 Task Force**
- ❑ **Examine current status of cross- border transmission charges in SEE**
- ❑ **How to avoid or minimize pan caking effect on regional level**

Scope of work

- **Examine the interaction between cross-border transmission and national transmission**

- **Identify the status quo of TPA to cross-border transmission pipelines in each jurisdiction**

- **Identify possible different treatment of cross- border transmission and national transmission**

- **Is there a need for common tarification rules for transport and is common rules can increase the efficiency of usage of the pipeline?**

- **Propose adequate solutions for tarification rules to be implemented on the regional level**

Cross – Border Transmission tarification Questionnaire



- ❑ **Questionnaire was sent to Energy Community Contracting Parties, Observer Countries and Neighbouring Participants**
- ❑ **10 Completed questionnaires have been received**
- ❑ **5 Contracted parties – BiH, Croatia, Serbia, FYR of Macedonia and UNMIK**
- ❑ **5 Neighbouring Participants - Austria, Bulgaria, Italy, Slovenia and Greece**
- ❑ **Albania and Montenegro didn't answer due the fact they don't have gas market**
- ❑ **Data for Hungary and Romania have been collected from different reports**
- ❑ **Austria, Bulgaria, Hungary, Romania, Slovenia and Serbia are natural gas cross- border transmission countries**

I. NETWORK ACCESS

| Country | Regulated TPA to national transmission / cross- border transmission | Relevant entry/exit point approved by regulator for national transmission and cross- border transmission | Different treatment for national and cross- border transmission |
|------------------------|---|--|---|
| Austria | YES / YES | YES / YES | YES (different tariff and market rules) |
| Bulgaria | YES / NO | YES / NO | YES |
| Greece | YES / YES | YES / YES | NO |
| Hungary | YES / NO | NA | YES (rTRA and nTPA on CB) |
| Italy | YES / YES | YES / YES | NO |
| Slovenia | YES / YES | YES / YES | YES (different tariff and market rules) |
| Romania | YES / NO | YES / NO | YES |
| Bosnia and Herzegovina | NO (no legal framework) | NA | NA |
| Croatia | YES / YES | NO (all relevant) | NO |
| Serbia | YES / NO | YES / YES | YES (different access rules, tariff and market rules) |
| FYR of Macedonia | YES / YES | YES / NO | NA |

II. CAPACITY MARKET STRUCTURE

| Country | Cross- border transmission capacity share/ long term booked/ to/ shippers number | Utilization rate Cross- border transmission / national transmission / whole system | Number and biggest shipper share cross- border transmission / national transmission / whole system |
|-------------------------------|--|--|--|
| Austria | 80% / 90% / 2020 / 5 shippers | - / - / 100% | 50,-/22,- /72, 90% |
| Bulgaria | 69% / 100% / 2030 / 1 shipper | 100% / 45% / - | 1,100%/386,70% / -,- |
| Italy | 0% | - / 70%/ 70% | -,-/ 69,55%/ 69, 55% |
| Slovenia | 42,8%/100% / >= 1 year/ 1 shipper | 83% / 51% / 65% | 1,100%/4,88% /5,95% |
| Bosnia and Herzegovina | 0% | - / 35 % / 35 % | - ,- / 1,100%/ 1,100% |
| Croatia | 0% | - / 39 % / 39 % | - ,- / 39,-/ -,-, |
| Serbia | 12% / 100% / 2018 / 1 shipper | 36% / 43% / 42% | 1,100%/2,95% /3, 85% |
| FYR of Macedonia | 0% / - / 1 shipper | NA | 1 |

III. REGULATED TARIFFS – TARIFF MODEL 1



| Country | Tariff model applied national transmission / cross-border transmission | Price allocation between capacity and commodity national transmission / cross-border transmission | Tariff include cost of national transmission / cross-border transmission |
|------------------------|--|---|---|
| Austria | Post stamp / distance related | 70%-30% / - | fuel gas / - |
| Bulgaria | Post stamp / nTPA | - / 90% - 10% | fuel gas / - |
| Greece | Post stamp / Post stamp | 90% - 10% | Fuel gas, Shrinkage, Quality conversation, line pack, temporary storage for LNG |
| Hungary | Entry exit / Entry exit & nTPA | 85-90% - 15- 10% / 65%-90% -35-10% | NA |
| Italy | De-coupled entry-exit | 85% - 15% | Fuel gas, Shrinkage, Wheeling, Quality conversation, Operational Balancing |
| Romania | Entry exit / nTPA | NA | NA |
| Slovenia | Post stamp / nTPA | 100%-0% for both | Fuel gas, Shrinkage / Fuel gas |
| Bosnia and Herzegovina | NA | NA | NA |
| Croatia | Post stamp | 100%-0% | Fuel gas, Shrinkage |
| Serbia | Post stamp / nTPA | 30%-70% / 0% - 100% | Fuel gas, Shrinkage / - |
| FYR of Macedonia | Post stamp | 13%-87% / - | - |

III. REGULATED TARIFFS – TARIFF MODEL 2



| Country | Depreciation of grid assets | Efficiency (X) factor | WACC (real, pre-tax) | Gearing debt/ (debt + equity) | Risk free rate | Return on equity | Return on Debt |
|-------------------------------|-----------------------------|-----------------------|----------------------|-------------------------------|----------------|------------------|----------------|
| | years | % | % | % | % | % | % |
| Austria | 40/50 | 1.95/ - | 6.97/ 11.07 | 60 / 60 | 4.21 / - | 10.22 / - | 4.81/- |
| Bulgaria | 25 | F (O, C) / - | 5 / 5 | 0 | 0.5-1 | 5 | 0 |
| Greece | 40 | 0 | NA | NA | N.A. | N.A. | N.A. |
| Hungary | N.A. | 1.8%/ - | 6.9 / - | NA | N.A. | N.A. | N.A. |
| Italy | 50 | 2 | 6.4 | 44.45 | 4.4 | 6.7 | 4.85 |
| Romania | 40 | N.A. | 7.88 | Romanian bonds | N.A. | N.A. | N.A. |
| Slovenia | 40 / NA | 0 / NA | 6.05 / NA | 60 / NA | NA/NA | 7.18/NA | 4/NA |
| Bosnia and Herzegovina | NA | NA | NA | NA | NA | NA | NA |
| Croatia | NA | NA | NA | NA | NA | NA | NA |
| Serbia | 33 / NA | - / - | 7.5 | 60% / NA | 4/NA | 10/NA | 5.1/NA |
| FYR of Macedonia | 40 | 0 | 9.46 | 98 | 7.17 | 8.56 | 5.73 |

III. REGULATED TARIFFS – TARIFF MODEL 3



- **EU countries have tariffs for interruptible and short- term capacities for national transmission entry points**
- **Austria and Italy - tariffs for interruptible and short- term capacities for cross-border entry points**
- **No positive answers for non-physical back- flow**
- **Entry- exit model is applied in Italy, Romania and Hungary**
- **Italian TSO guarantees network users exit capacity which is minimally equal to entry capacity for minimum 1 month period**
- **Cross- border shipper can book entry capacity for 1 day period in Austria, except TAG, Slovenia, Romania, Hungary and Croatia**
- **Only one cross- border shipper in Slovenia, Bulgaria and Serbia**
- **Cross- border shipper can not book entry capacity for period less than 1 year in Italy**
- **Some regulators did not sent data about contract duration, expiry data, max. daily quantity define in long term contracts and comparison between “transit prices” and tariff for national transmission**
- **Long term contracts expiries from 2016 - 2030**

IV. BARRIERS TO CROSS BORDER TRADE



| Country | Destination / English clauses applied in supply contracts | Other limitation for network access | Custom duties / other taxes | Other barriers |
|-------------------------------|---|-------------------------------------|-----------------------------|---|
| Austria | Not known / Not known | Contractual congestion | Customs duties | CAM is FCFS. Guidelines foresee auctions and pro rata in some cases |
| Bulgaria | YES / NO | NO | Excises duties | NA |
| Italy | NO / NO | NA | Customs duties | NA |
| Slovenia | Not known / Not known | Existing long term contracts | NO | NA |
| Bosnia and Herzegovina | Not known / Not known | NA | Import taxes | NA |
| Croatia | Not known / Not known | NO | NA | NA |
| Serbia | YES / NO | CAM and CMP is not defined | NO | NA |
| FYR of Macedonia | NA | NA | NA | NA |
| UNMIK | NA | NA | NA | NA |

STATUS QUO 1

- ❑ **Serbia - BiH is the only cross border connection between contracting parties**
- ❑ **Regulated TPA for national transmission and long term contracts for cross- border transmission**
- ❑ **Different access, market rules and tariffs exist in all countries with physical cross- border transmission**
- ❑ **All or almost all (90%) cross- border transmission capacity is long term booked**
- ❑ **Only Austria have more shippers, but the biggest is dominant 90% capacity**
- ❑ **Italy, Hungary and Romania have entry – exit and all other countries have post stamp tariff model for national transmission**
- ❑ **Slovenia is only transit country with same price allocation ratio between capacity and commodity for national transmission and transit**
- ❑ **Capacity part in transmission cost varies from 0% to 100%**

STATUS QUO 2

- **Depreciation period for grid assets varies from 25 to 50 years**
- **Efficiency factor X is implemented in Austria, Hungary and Italy**
- **Some Contracting Parties did not send data on tariff model details like WACC, Gearing, Risk free rate, Return on equity and Return on Debt**
- **Capacity trading on secondary market is defined only in Croatia and EU countries**
- **In Serbia and FYR of Macedonia secondary trading is not addressed in the actual legislation**
- **Austria, Italy and Hungary reported that TSO has on line trading platform which is in function**
- **Bulgaria and Serbia reported destination clause in supply contracts**
- **English clause is not applied in any country**
- **Only BiH from Contracting Parties has some kind of import taxes**

RECOMMENDATIONS 1

- ❑ **Lack of compliance with Directive 2003/55/EC with different treatment of national and cross border transmission in “transit countries” needs to be abolished**
- ❑ **Regulated TPA to all gas pipelines has to be stipulated**
- ❑ **Energy Community Secretariat and national authorities to take responsibility for role of ensuring the implementation of the Energy Community acquis**
- ❑ **Introduction of congestion management mechanisms and capacity allocation procedures - Regulation (EC)1775/2005**
- ❑ **Efficient capacity trade on the secondary market – shippers obligation to offer non used capacity (UIOSI, UIOLI)**

RECOMMENDATIONS 2

- ❑ **Legal provisions addressing related regulatory powers have to be included in legislation (where are not in place)**

- ❑ **Discussion issues:**
 - ❑ **The ECRB should closely follow the development of gas tariffication framework guidelines on European level with a view to further elaborate on this issue in the EnC**

 - ❑ **Regional capacity allocation concept (“one stop shop”) in a mid/long term perspective**

Thank you!

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