

ACER's report on methodologies and parameters to determine TSOs' revenues

ENTSOG's view

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Agenda

1. ACER's report scope
2. TAR NC scope
3. Gas Regulation requirements
4. Conclusion





1. ACER's report scope



TAR NC and ACER's report

1. Before 6 April 2019, the Agency shall publish a report on the methodologies and parameters used to determine the allowed or target revenue of transmission system operators. The report shall be based on at least the parameters referred to in Article 30(1)(b)(iii).



- (1) types of assets included in the regulated asset base and their aggregated value;
- (2) cost of capital and its calculation methodology;
- (3) capital expenditures, including:
 - (a) methodologies to determine the initial value of the assets;
 - (b) methodologies to re-evaluate the assets;
 - (c) explanations of the evolution of the value of the assets;
 - (d) depreciation periods and amounts per asset type.
- (4) operational expenditures;
- (5) incentive mechanisms and efficiency targets;
- (6) inflation indices.

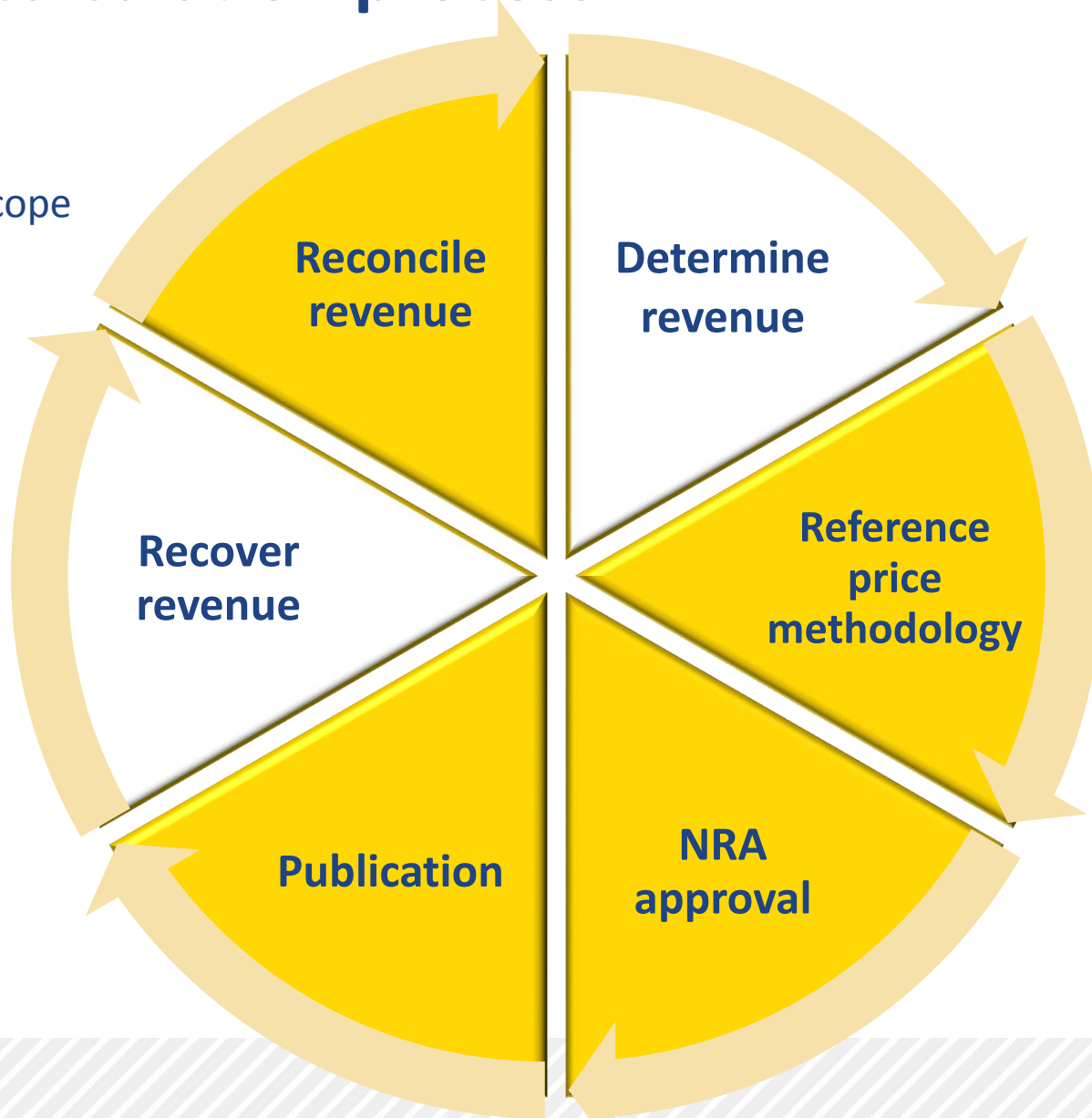
We need to understand what ACER aims to achieve with the report



2. TAR NC scope

Tariff calculation process

- in NC scope
- out of NC scope



COMMISSION REGULATION (EU) 2017/460

of 16 March 2017

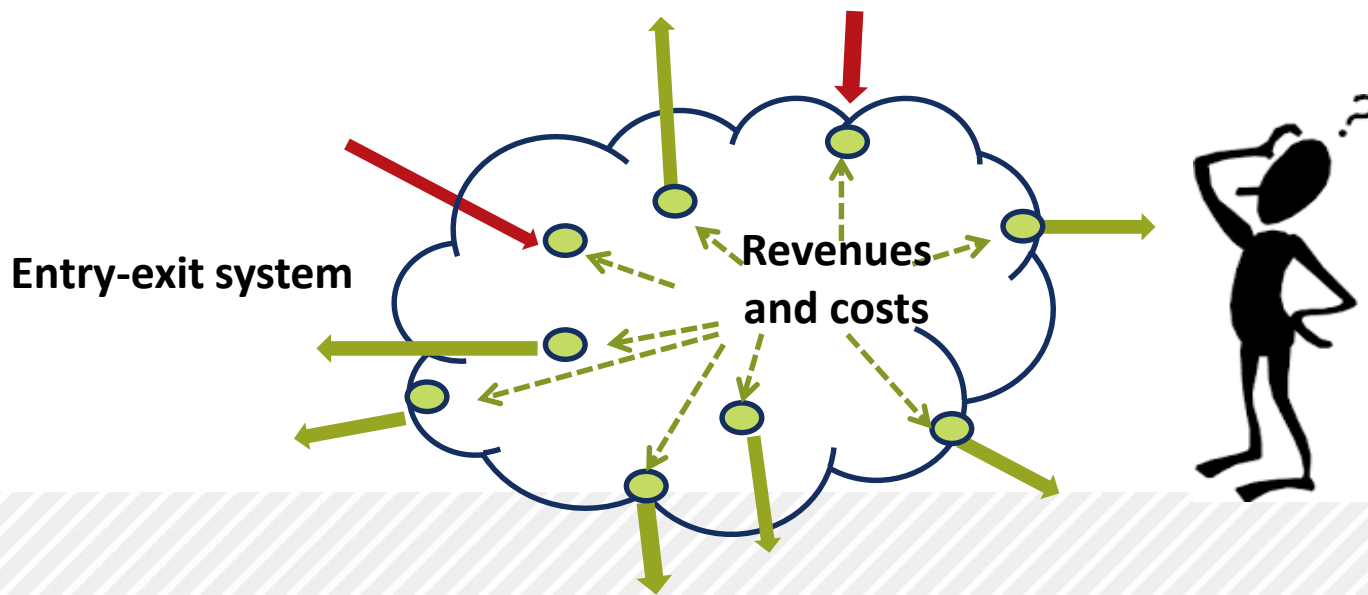
establishing a network code on harmonised transmission tariff structures for gas

- Which costs to recover
- Setting up the revenue

Out of scope

- How to recover these costs
- Allocation of the revenue among points

In scope



But the TAR NC transparency requirements go beyond its scope!

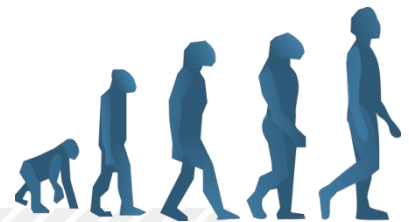
Publication before each tariff period

Methodology parameters

Revenue information

Other tariffs not published before auctions

Tariff evolution



TAR NC requirements for revenue transparency...

(b) the following information:

- (i) the allowed or target revenue, or both, of the transmission system operator;
- (ii) the information related to changes in the revenue referred to in point (i) from one year to the next year;
- (iii) the following parameters:
 - (1) types of assets included in the regulated asset base and their aggregated value;
 - (2) cost of capital and its calculation methodology;
 - (3) capital expenditures, including:
 - (a) methodologies to determine the initial value of the assets;
 - (b) methodologies to re-evaluate the assets;
 - (c) explanations of the evolution of the value of the assets;
 - (d) depreciation periods and amounts per asset type.
 - (4) operational expenditures;
 - (5) incentive mechanisms and efficiency targets;
 - (6) inflation indices.

**Basis of
ACER's report**



...continued

- (iv) the transmission services revenue;
- (v) the following ratios for the revenue referred to in point (iv):
 - (1) capacity-commodity split, meaning the breakdown between the revenue from capacity-based transmission tariffs and the revenue from commodity-based transmission tariffs;
 - (2) entry-exit split, meaning the breakdown between the revenue from capacity-based transmission tariffs at all entry points and the revenue from capacity-based transmission tariffs at all exit points;
 - (3) intra-system/cross-system split, meaning the breakdown between the revenue from intra-system network use at both entry points and exit points and the revenue from cross-system network use at both entry points and exit points, calculated as set out in Article 5;
- (vi) where and to the extent that the transmission system operator functions under a non-price cap regime, the following information related to the previous time period on regarding the reconciliation of the regulatory account:
 - (1) the actually obtained revenue, the under- or over-recovery of the allowed revenue and the part thereof attributed to the regulatory account and, if applicable, sub-accounts within such regulatory account;
 - (2) the reconciliation period and the incentive mechanisms implemented.
- (vii) the intended use of the auction premium.

Extensive publication requirements



3. Gas Regulation requirements



Gas Regulation on tariffs/methodologies

Transparent

Take account of the need for system integrity and its improvement

Reflect the actual costs incurred

Include an appropriate return on investment

Where appropriate, take account of benchmarking of tariffs

Non-discriminatory

Facilitate efficient gas trade

Avoid cross-subsidies

Facilitate competition

Provide incentive for investment

Inter-operability for transmission networks

Set separately for every entry and exit point

Do not restrict market liquidity

Do not distort trade across borders of different transmission systems



4. Conclusion



ENTSOG's view [1]



**Gas Regulation
(3rd energy
package)**

TAR NC

ACER's
report

- Contains main tariff principles
- 3rd energy package does not deal with revenues
- Left at the MS level
- Integral part of Gas Regulation
- Further details
- Goes beyond its scope by dealing with revenue transparency
- ACER's obligation is part of TAR NC
- **Must not result in recommendations beyond TAR NC and Gas Regulation scope!**



ENTSOG's view [2]



- The report should not make judgements on the **appropriateness** of the revenue methodologies
 - having different methodologies is appropriate when there are different types of systems
 - for example, FR versus CZ have very different systems and therefore require different regulatory regimes
- The report should be just for **information** purposes, setting out what is currently used throughout the EU to determine the allow/target revenue



Thank You for Your Attention

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