European Union Agency for the Cooperation of Energy Regulators

Agency Report

Analysis of the Consultation Document on the Gas Transmission Tariff Structure for the Netherlands

NRA: Authority for Consumers & Markets ('ACM')
TSO: Gasunie Transport Services B.V. ('GTS')

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1. ACER conclusion

(1) The Authority for Consumers and Markets ('ACM') has proposed a postage stamp reference price methodology ('RPM') in the final consultation pursuant to Article 26 of the Network Code on Harmonised Transmission Tariff Structures for Gas ('NC TAR') for the regulatory period from 2025 to 2029. The consultation foresees the application of discounts at entry points from and exit points to storage facilities and at entry points from LNG facilities that are complemented by the application of rescaling to all entry-exit points. ACM has not proposed commodity charges or non-transmission charges in the consultation.

(2) ACM has proposed to modify the following elements compared to the motivated decision of 2018[1] which set the currently applicable tariffs:

- Increase of the discount at entry points from and exit points to storage facilities from 60% to 75%;
- Application of a 20% discount at entry points from LNG facilities[2].

(3) The NC TAR foresees a cost allocation assessment ('CAA') and a comparison of the proposed reference price methodology with the capacity weighted distance methodology ('CWD'). Regarding the CAA[3], ACM provides a result for the proposed postage stamp methodology of 6%. As this is lower than the 10% threshold laid out in Article 5 of the NC TAR, further justification is not required.

(4) ACM has provided a comparison of the proposed RPM with the CWD methodology, however, the CWD calculation dates back to 2019. The Agency notes that the comparison does not serve as a counterfactual, as required by Article 26(1)(a)(vi) of the NC TAR, as it has not been updated to the current network characteristics and utilisation.

(5) The Agency remarks that the justification of the proposed RPM, including its assessment against the requirements under Article 7 of the NC TAR, provided by ACM is limited. The NRA refers to the arguments already made in the motivated decision of 2018, but does not adapt them to the current network characteristics and use, which differ from 2019, namely:

- A new entry point was established at Eemshaven due to the commissioned LNG terminal;
- Domestic production has decreased due to the closure of Groningen and other minor gas fields;
- Flow patterns have changed given the shift away from historical East-West flows in the EU;
- Domestic consumption has decreased.

(6) ACM communicated to the Agency that the postage stamp is a well-established methodology in the Dutch network and enables a high degree of transparency. This is supported by the stakeholder responses not challenging the continuation of the currently applied RPM. At the same time, based on the information provided in the consultation document, the Agency cannot fully complete its compliance analysis of the RPM with the requirements under Article 7 of the NC TAR.

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[1] Code amendment decision for the implementation of NC TAR | ACM.nl

[2] The level of the discount has been set at 20% for the years 2025 and 2026. For the remaining part of the regulatory period, from 2027 to 2029, the discount will be kept only if two conditions apply simultaneously. See paragraph 44 of this Report.

[3] Computed with 2024 input parameters.

(7) The Agency notes that the justification provided by ACM, for the proposed discount at entry points from LNG, is not sufficient to meet the requirement laid down in Article 9(2) of the NC TAR without clearly distinguishing the role of the discount as means of increasing security of supply.

(8) The Agency notes that the absence of an entry-exit point, between the Dutch network and the BBL pipeline, *de facto* does not allow the recovery of the revenue associated with the use of the Dutch network when transporting gas to and from the BBL pipeline. As a result of the application of the proposed RPM to the Dutch network, this revenue is allocated to the other points of the network. Users of other points of the network, therefore, bear the costs associated with the use of the BBL pipeline. In the absence of a revenue redistribution, the current tariff structure does not ensure cost-reflectivity of tariffs at the entry-exit points, potentially impairing the objectives of a well-functioning and transparent internal market of gas Regulation (EC) No 715/2009, and, in particular, Article 13 thereof, with regards to the prevention of cross-subsidies and the distortion of trade across borders.

(9) For this reason, the Agency considers that in the absence of a compensation mechanism that addresses the shortcoming referred to in paragraph (8), the RPM would not be cost-reflective pursuant to Article 7 of the NC TAR and Article 13 of Regulation (EC) No. 715/2009.

(10) The Agency concludes, after having completed the analysis of the consultation document under Article 27(3) of the NC TAR, that:

- The consultation does not contain all the information required in Article 26(1) of the NC TAR;
- The Agency cannot conclude on the compliance of the proposed RPM with the requirements laid down in Article 7 of the NC TAR regarding cost reflectivity, cross-subsidization, and cross-border trade.
- The Agency concludes that the methodology is compliant with the requirements of transparency, non-discrimination, and volume risk.

(11) The consultation elements listed under Article 26(1) of the NC TAR are necessary to enable transparency over the transmission tariff structures and the procedures setting them, in line with the requirements of the NC TAR. This is particularly relevant in the case of the Dutch IP tariffs that impacts consumers in neighbouring markets, as the Dutch hub, the Title Transfer Facility ('TTF') is used as a reference price for natural gas in the European Union.

(12) The Agency recommends ACM to consider the following recommendations when taking its motivated decision pursuant to Article 27(4) of NC TAR.

(13) First, to publish the following information, which was not included in the consultation document:

- A comparison between the proposed RPM and the CWD reference price methodology calculated for the years for which tariffs are proposed, as detailed in Article 8 of the NC TAR, as required in Article 26(1)(a)(vi) of the NC TAR, taking these results in account when justifying the RPM.
- A structural representation of the network as required in Article 26(1)(a)(i) of the NC TAR including the relevant infrastructure changes compared to the previous motivated decision.
- A contracted capacity forecast including the assumptions and the methodology used as required in Article 26(1)(a)(i) of the NC TAR, applicable at least for 2025. The forecast should be disaggregated providing values for interconnection points, storage and LNG entry-exit points, and

an aggregated value for domestic exit points. These disaggregated values should be included in the simplified tariff model.

- A description of the indicative reference prices subject to consultation at each entry and exit point as required by Article 26(1)(a)(iii) of the NC TAR.
- A CAA comparing scenarios with or without the discounts at entry points from and exit points to storage facilities, and at LNG entry points. The Agency further invites ACM to complete this calculation for each of the tariff years for which tariffs are being proposed.
- The differences between the estimated level of the transmission tariff for the same type of transmission service applicable for the prevailing tariff period and for each tariff period within the regulatory period as require by Articles 26(1)(d) and 30(2)(a) of the NC TAR.

(14) Second, to further justify the reasoning for the proposed discount at entry points from LNG when taking its motivated decision pursuant to Article 27(4) of NC TAR by taking into account the following points:

- identify the precise effects of the proposed discount explaining how these effectively contribute to increasing security of supply;
- consider the utilisation rates of LNG infrastructure and the capacity already booked over the time horizon for which the discount is proposed;
- assess the effectiveness of the discount when applied to LNG infrastructure subject to a negotiated third party access. Under this regulatory regime, tariffs could be adapted allowing the operator to capture the potential decrease in tariffs resulting from the proposed discount.

(15) Third, the Agency repeats its recommendation on the peak supply service to be related to the ‘access to the natural gas transmission networks’ and suggests that this service falls under the scope of the Gas Regulation and the NC TAR[4].

[4] See paragraph 45 of ACER Report on the Dutch tariff consultation 2018.

2. Introduction

(16) Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a Network Code on Harmonised Transmission Tariff Structures for Gas.

(17) Article 27 of the NC TAR requires the Agency to analyse the consultation documents on the reference price methodologies for all entry-exit systems[5]. This Report presents the analysis of the Agency for the transmission system of The Netherlands.

(18) On 1 November 2023, ACM forwarded the consultation documents to the Agency. The consultation was launched on 21 September 2023 and was initially intended to close on 14 December 2023. On 18 December 2023, the consultation was extended to include additional information that had not been published in the original document[6] and closed on 14 February 2024. On 6 March 2024, the consultation responses and their English summary were published. The Agency has considered them for this analysis. Within five months following the end of the final consultation, under Article 27(4) of the NC TAR, ACM shall take and publish a motivated decision on all the items set out in Article 26(1) of the NC TAR.

(19) ACM informed the Agency that, between 6 April 2023 and 28 August 2023, the NRA carried out six meetings with market parties to discuss the main elements to be included in the consultation. The consultation document is based on these discussions and only assesses the elements that have been amended with respect to the previous motivated decision 2018. Only some of the materials presented in these meetings have been shared with the Agency. The Agency notes that the final consultation prior to the motivated decision referred to in Article 27(4) of the NC TAR shall include all the requirements set out in Article 26(1) of the NC TAR.

(20) The Agency has completed this analysis by complementing the information provided by ACM in the consultation with the information provided in the motivated decision 2018.

(21) The Agency notes that the purpose of the final consultation is to provide transparency on the proposed tariff structure, for which reason the Agency provides several recommendations for ACM to take into account when publishing its motivated decision referred to in Article 27(4) of the NC TAR.

Reading guide

(22) In section 3, this document first presents an analysis of the completeness, namely if all the information in Article 26(1) of the NC TAR has been published. Section 4 assesses the proposed reference price methodology for The Netherlands. Section 5 focuses on the compliance, namely if the RPM complies with the requirements set out in Article 7 of the NC TAR. Section 6 includes other comments. This document contains two annexes, respectively the legal framework and a list of abbreviations.

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[5] With the exception of Article 10(2)(b), when different RPMs may be applied by the TSOs within an entry-exit zone.

[6] Extension of consultation NC TAR.

3. Completeness

3.1 Has all the information referred to in Article 26(1) been published?

(23) Article 27(2)(a) of the NC TAR requires the Agency to analyse whether all the information referred to in Article 26(1) of the NC TAR has been published.

(24) Article 26(1) of the NC TAR requires that the consultation document should be published in English language, to the extent possible. The Agency remarks that the consultation document has been published in English.

(25) The consultation does not include the following elements required in Article 26(1):

- A comparison between the proposed RPM and the CWD reference price methodology calculated for the years for which tariffs are proposed, as detailed in Article 8 of the NC TAR, as required in Article 26(1)(a)(vi) of the NC TAR;
- A structural representation of the network including the relevant infrastructure changes compared to the previous motivated decision, as required in Article 26(1)(a)(i) of the NC TAR;
- A contracted capacity forecast including the assumptions and the methodology used as required in Article 26(1)(a)(i) of the NC TAR, applicable at least for 2025. The forecast should be disaggregated providing values for interconnection points, storage and LNG entry-exit points, and an aggregated value for domestic exit points. These disaggregated values should be included in the simplified tariff model;
- A description of the indicative reference prices subject to consultation at each entry and exit points as required by Article 26(1)(a)(iii) of the NC TAR;
- A CAA comparing scenarios with or without the discounts at entry points from and exit points to storage facilities, and LNG entry points;
- The differences between the estimated level of the transmission tariff for the same type of transmission service applicable for the prevailing tariff period and for each tariff period within the regulatory period as required by Articles 26(1)(d) and 30(2)(a) of the NC TAR.

(26) Based on the missing elements listed above, the Agency concludes that the consultation does not contain all the information required in Article 26(1) of the NC TAR.

(27) The Agency recommends that the missing elements are included in the in the NRA motivated decision pursuant to Article 27(4) of the NC TAR.

Table 1 Checklist information Article 26(1)

Article	Information	Published: Y/N/NA
26(1)(a)	the description of the proposed reference price methodology	Yes
26(1)(a)(i) **26(1)(a)(i)(1)** **26(1)(a)(i)(2)**	the indicative information set out in Article 30(1)(a), including: • the justification of the parameters used that are related to the technical characteristics of the system • the corresponding information on the respective values of such parameters and the assumptions applied	Partial ACM does not provide contracted capacity forecast for the years of the regulatory period (2025-2029)

26(1)(a)(ii)	the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9	Yes
26(1)(a)(iii)	the indicative reference prices subject to consultation	Partial ACM does not provide contracted capacity forecast for the years of the regulatory period (2025-2029)
26(1)(a)(iv)	the results, the components and the details of these components for the cost allocation assessments set out in Article 5	Yes CAA computed with 2024 parameters
26(1)(a)(v)	the assessment of the proposed reference price methodology in accordance with Article 7	Partial ACM proposes to apply the postage stamp RPM, building on its motivated decision of 2018
26(1)(a)(vi)	where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii)	No
26(1)(b)	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	Partial ACM provides limited information on the allowed revenue for the years of the regulatory period (2025-2029)
26(1)(c)(i) **26(1)(c)(i)(1)** **26(1)(c)(i)(2)** **26(1)(c)(i)(3)**	where commodity-based transmission tariffs referred to in Article 4(3) are proposed • the manner in which they are set • the share of the allowed or target revenue forecasted to be recovered from such tariffs • the indicative commodity-based transmission tariffs	Non applicable
26(1)(c)(ii) **26(1)(c)(ii(1)** **26(1)(c)(ii)(2)** **26(1)(c)(ii)(3)** **26(1)(c)(ii)(4)**	where non-transmission services provided to network users are proposed: • the non-transmission service tariff methodology therefor • the share of the allowed or target revenue forecasted to be recovered from such tariffs • the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3) • the indicative non-transmission tariffs for non-transmission services provided to network users	Non applicable
26(1)(d)	the indicative information set out in Article 30(2);	Partial ACM does not provide the differences between the estimated level of the transmission tariff applicable for the

		prevailing tariff period and for each tariff period within the regulatory period (2025-2029)
26(1)(e) **26(1)(e)(i)** **26(1)(e)(ii)** **26(1)(e)(iii)** **26(1)(e)(iv)**	where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity: • the proposed index; • the proposed calculation and how the revenue derived from the risk premium is used • at which interconnection point(s) and for which tariff period(s) such approach is proposed • the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed	Not applicable

4. Assessment of the proposed reference price methodology

(28) ACM proposes to apply the postage stamp RPM, building on its motivated decision of 2018. The postage stamp RPM was consulted in 2018 and applied between 2020 and 2024 with an entry-exit split set at 40/60%.

(29) ACM recalls its 2018 decision to explain its choice to use a postage stamp methodology[7], which was based on the following reasons:

- The network complexity and meshed structure allows for multiple flow patterns making it difficult to use distance as a cost driver;
- The input parameters of the postage stamp methodology are public, increasing the predictability and reproducibility of reference prices;
- The alternative CWD methodology requires the accurate estimation of forecasted contracted capacities. Absent accuracy, the methodology results in deviations leading to lower degree of cost reflectivity.

(30) ACM also proposes some changes, which relate to tariff discounts. In this context, ACM suggests increasing the discount to 75% at entry points from and exit points to storage facilities and applying a discount of 20% at entry points from LNG facilities. The NRA proposes to rescale tariffs at entry and at exit points to recover the missing revenue resulting from the application of the discounts.

(31) The Julianadorp[8] interconnection point, that connects Gasunie Transport Services B.V. ('GTS') national gas transmission grid with BBL interconnector, was removed in 2018 by GTS and BBL. An inter-TSO

[7] See paragraphs 54-62 of motivated decision 2018.

[8] See chapter 6 of this Report.

compensation mechanism ('ITC') was initially agreed for the year 2020 and extended until the end of the regulatory period, 2024[9].

4.1 Allowed revenue

(32) The allowed revenue is based on the NRA Decision[10] valid for the period 2022-2026 together with the annual decision for tariff, where the tariffs for the following year are set. In the consultation documents the values for the allowed revenues have been published for the years 2025 and 2026.

(33) ACM clarified in the 2018 motivated decision that the transmission service revenue covers the following services: transmission services, balancing services, connection services and quality conversion services.

(34) Following the recommendations included in the ACER Report[11] on the Dutch tariff consultation 2018[12], ACM included the Wobbe Quality Adaptation service under the quality conversion service category[13] under the scope of the Gas Regulation and the NC TAR, an approach that the Agency welcomes.

(35) The peak supply service however is not considered by ACM as a revenue related service and is not part of the allowed revenue[14]. The Agency reiterates its past recommendation and invites ACM to include this service as a transmission or a non-transmission service[15].

4.2 Reconciliation of the regulatory account

(36) According to the information provided by ACM to the Agency, the over-recovery and auction premia are usually reconciled two years after they have occurred. ACM reported to the Agency that in the current regulatory period, the auction premia have not been used to finance investments to reduce physical congestions, but only to decrease the transmission tariffs as foreseen in Article 19(5) of the NC TAR.

(37) Due to the high over-recovery, caused by the exceptional sale of interruptible capacity and the large auction premia recorded in 2022 and 2023, the regulatory account has increased by EUR 650 million in 2022 and EUR 190 million in 2023. ACM has expressed the intention[16] to reconcile the auction premia recorded in 2022 in the year 2025, one year later than usually done, to ensure tariff stability.

[9] ITC agreement NC TAR decision

[10] Method decision GTS 2022–2026.

[11] See paragraph 45 of ACER Report on the Dutch tariff consultation 2018.

[12] See paragraph 27 of motivated decision 2018.

[13] Amendment to the Gas Quality Regulation: Regeling van de Minister van Economische Zaken en Klimaat van 16 april 2021, nr. WJZ/ 21097925, tot wijziging van de Regeling gaskwaliteit.

[14] Security of Supply Decree: Besluit leveringszekerheid Gaswet.

[15] See paragraph 45 of ACER Report on the Dutch tariff consultation 2018.

[16] Tariff decision 2024, Tarievenbesluit GTS 2024 | ACM.nl.

Table 2 ACM's regulatory account and revenue reconciliation, 2020-25. Source: ACM

	2020	2021	2022	2023	2024	2025
Over- recovery	2,514,125	892,610	418,587,876	31,230,124	N.a	N.a
Auction premia	1,408,617	1,093,413	234,818,623	161,390,399	N.a	N.a
Investments	-	-	-	-	N.a	N.a
Reconciliation	16,598,084	14,409,616	3,922,742	1,986,023	418,587,876	427,439,146
Regulatory account	18,332,358	5,908,765	655,392,522	846,027,022	N.a	N.a

4.3 Forecasted contracted capacity

(38) The consultation document provides a forecast for the year 2024 and does not provide a forecast for the years when the proposed tariffs are applicable[17].

(39) The Agency recommends that ACM incorporates in the motivated decision a contracted capacity forecast including the assumptions and the methodology used as required in Article 26(1)(a)(i) of the NC TAR, applicable at least for 2025. The forecast should be disaggregated providing values for interconnection points, storage and LNG entry-exit points, and an aggregated value for domestic exit points. These disaggregated values should be included in the simplified tariff model.

4.4 Entry/Exit split

(40) During the stakeholder discussions held before the consultation period, the entry-exit split was discussed with the market participants.

(41) ACM explains in the consultation document that the share has been computed based on the assumption that the costs of the regional transmission network are allocated to exit points, and the costs of the main transmission network are equally shared between entry points and exit points. Overall, ACM considers that 40% of costs allocated to entry points and 60% allocated to exit points is reasonable[18]. The entry/exit split is, therefore, maintained in line with the motivated decision 2018.

4.5 Discount at entry points from and exit points to storage facilities

(42) ACM proposes to increase the discount at entry points from and exit points to storage facilities from 60%, as decided in motivated decision 2018[19], to 75%. This change has been justified, in the consultation document, in view of the increased importance of the gas storage to ensure security of supply in the Netherlands[20].

(43) ACM also proposes not to apply a discount to storage facilities connected to multiple transmission or distribution network and in competitions with entry points in line with Article 9(1) of NC TAR. The

[17] In the Simplified model and in the CAA.

[18] See paragraph 20 consultation document 2023.

[19] See paragraphs 67-69 of motivated decision 2018.

[20] See paragraph 22 consultation document 2023.

relevant operator of the gas storage facility may enter in an agreement with the TSO and give the discount only to the gas stored while excluding transmission capacity[21].

4.6 Discount at entry points from LNG facilities

(44) In the consultation document ACM proposes to introduce a discount at entry points from LNG facilities[22]. The level has been set at 20% for the years 2025 and 2026. For the remaining part of the regulatory period, from 2027 to 2029, the discount will be kept only if the following two conditions apply simultaneously:

- If the percentage share of the natural gas entering through LNG over the total amount of natural gas of the system in the previous year is above 25%.
- If the average neutral gas price[23] is above 37.5 EUR/MWh.

(45) The proposed discount is reasoned in connection to the increased role of LNG as a source of supply and the diminishing flows from Eastern Europe and Russia. In ACM's view the discount will have a positive impact on attracting LNG to the Netherlands increasing the utilisation rate of the LNG terminals and incentivising the long-term contracting of LNG[24].

(46) The Agency acknowledges these reasons, however, considers the arguments made by ACM as not sufficient to justify the proposed discount, which should focus on aspects related to increase the security of supply, as required in Article 9(2) of the NC TAR.

(47) The Agency recommends ACM to further justify the reasoning of the proposed discount in its motivated decision pursuant to Article 27(4) of NC TAR by taking into account the following points:

- identify the precise effects of the proposed discount explaining how these effectively contribute to increasing security of supply;
- consider the utilisation rates of LNG infrastructure and the capacity already booked over the time horizon for which the discount is proposed;
- assess the effectiveness of the discount when applied to LNG infrastructure subject to a negotiated third party access. Under this regulatory regime, tariffs could be adapted allowing the operator to capture the potential decrease in tariffs resulting from the proposed discount.

4.7 Adjustments to the RPM

(48) The rescaling is the only secondary adjustment applied. It applies to all entry-exit points after the application of the discount at entries from and exits to storage facilities and at LNG entry points.

4.8 Cost allocation assessment

(49) ACM provides the results of the CAA for the proposed RPM applied with 2024 parameters. The result for the RPM is 6% compared to 5.2% computed for the same period but with the discounts applied in

[21] See paragraphs 31-32 consultation document 2023.

[22] See paragraphs 23-29 consultation document 2023.

[23] Defined in Article 4.1.6.4 of the Gas Transport Code LNB.

[24] This element has been added by ACM during bilateral interaction with the Agency.

2020-2024. Since the CAA value for the proposed RPM is lower than the 10% threshold laid out in Article 5 of the NC TAR, further justification is not required.

(50) The Agency recommends including in the motivated decision a CAA comparing scenarios with or without the discounts at entries from and exits to storage facilities, and LNG entry points. The Agency further invites ACM to complete this calculation for each of the tariff years for which tariffs are being proposed.

4.9 Comparison with the CWD methodology

(51) ACM provides a comparison of the proposed RPM with the CWD methodology, however, the CWD calculation dates back to 2019. The Agency notes that the comparison does not serve as a counterfactual as required by Article 26(1)(a)(vi) of the NC TAR, as it has not been updated to the current network characteristics and utilisation and, therefore, limits the possibility to assess the compliance of the proposed RPM with the requirements under Article 7 of the NC TAR.

(52) The Agency recommends that a comparison with the CWD reference price methodology calculated for the years for which tariffs are proposed, as detailed in Article 8 of the NC TAR, as required in Article 26(1)(a)(vi) of the NC TAR is included in the motivated decision.

5. Compliance

5.1 Does the RPM comply with the requirements set out in Article 7?

(53) Article 27(2)(b)(1) of the NC TAR requires the Agency to analyse whether the proposed reference price methodology complies with the requirements set out in Article 7 of the NC TAR. This article refers to Article 13 of Regulation (EC) 715/2009 and lists a number of requirements to take into account when setting the RPM. As the requirements overlap, in the remainder of this chapter, the Agency will take a closer look at the five elements listed in Article 7 of the NC TAR.

5.1.1 Transparency

(54) **Article 7(a)** of the NC TAR requires that the RPM aims at ensuring that network users can reproduce the calculation of reference prices and their accurate forecast.

(55) The Agency finds the simplified tariff model useful, as required by Article 30(2)(b) of the NC TAR, it enables network users to reproduce the calculation of reference prices and forecast reference prices[25].

(56) The Agency recommends that ACM provides the differences between the estimated level of the transmission tariff for the same type of transmission service applicable for the prevailing tariff period and for each tariff period within the regulatory period as require by Articles 26(1)(d) and 30(2)(a) of the NC TAR. For this purpose, ACM should rely on the capacity forecasts referred to under paragraphs (38) and (39).

[25] When input parameters are available.

5.1.2 Cost-reflectivity

(57) **Article 7(b)** of the NC TAR requires the RPM to take into account the actual costs incurred for the provision of transmission services, considering the level of complexity of the transmission network and the technical characteristics of the transmission system.

(58) The Agency refers to the conclusion in its 2018 Report on the tariff consultation of The Netherlands [26]. In that report, the Agency considered the proposed postage stamp methodology suitable for the Dutch network which was a meshed network with complex utilisation patterns.

(59) ACM communicated to the Agency that the postage stamp is a well-established methodology in the Dutch network and enables a high degree of transparency. This is supported by the stakeholder responses not challenging the continuation of the currently applied RPM.

(60) Furthermore, the Agency notes that the result of the CAA for the proposed postage stamp methodology[27] is within the threshold foreseen in Article 5 and does not require further justification.

(61) At the same time, the Agency notes that it could not fully complete its assessment of the proposed postage stamp methodology as ACM did not provide an updated calculation of the CWD methodology[28].

(62) Although the postage stamp may be still appropriate, in the absence of this information the Agency could not compare the proposed reference prices to those of the CWD. The CWD comparison to the postage stamp methodology should take in account the changes in the network since 2019, namely:

- A new entry point was established at Eemshaven due to the commissioned LNG terminal;
- Domestic production has decreased due to the closure of Groningen and other minor gas fields;
- Flow patterns have changed given the shift away from of historical East-West flows in the EU;
- Domestic consumption has decreased.

(63) In the light of the foregoing, the Agency cannot conclude on the compliance of the proposed postage stamp methodology with the requirement on cost reflectivity.

(64) To justify the choice of the RPM, the NRA refers to the arguments already made in the motivated decision of 2018. The Agency notes that this justification would require a review based on the changes in flows and infrastructure occurred since 2018, and the Agency would therefore have welcomed such review in the consultation document. An updated comparison between the RPM and the CWD methodology shall be made part of the motivated decision.

(65) Furthermore, the compliance with the requirement on cost reflectivity is additionally subject to:

- The justification for the proposed discount at entry points from LNG as described in paragraph (47), clearly focusing on how the discount increases the security of supply.

[26] See paragraphs 19-30 of ACER Report on the tariff consultation of The Netherlands 2018.

[27] Computed with 2024 input parameters.

[28] See paragraphs 51 of this report.

- The implementation of a compensation mechanism to recover any missing revenue associated with the use of the Dutch network when transporting gas to and from the BBL pipeline, given by the absence of the Julianadorp entry-exit point[29].

5.1.3 Cross-subsidisation

(66) **Article 7(c)** of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation. One instrument to evaluate this is the cost allocation assessment (CAA, Article 5 of the NC TAR). The result for the capacity cost allocation comparison index was 6%[30].

(67) Regarding the requirement of ensuring non-discrimination, the Agency has not identified any form of discrimination related to the proposed RPM. This analysis is based on the definition of 'discrimination' as 'charging different prices to different network users for the identical gas transmission service'.

(68) The Agency highlights that the allocation of all transmission costs via a single RPM to all entry-exit points minimises the possibility of discrimination.

(69) For this analysis, the Agency defines 'cross subsidisation' as a derivation from cost-reflectivity, whereby users of the entry-exit system are allocated tariffs that differ from the costs they cause to the system, and for which reason the Agency cannot conclude that the proposed RPM is compliant with the requirement of preventing undue cross-subsidisation.

5.1.4 Volume risk

(70) **Article 7(d)** of the NC TAR requires that the RPM ensures that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system. In the Netherlands gas transported is not significantly higher than domestic consumption.

5.1.5 Cross-border trade

(71) **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade. Following the conclusion on cost reflectivity and on cross-subsidisation, the Agency cannot conclude that the proposed RPM is compliant with the requirement of not-distorting cross-border trade.

6. Other comments

(72) The Julianadorp interconnection point, that connects the GTS national gas transmission grid with the BBL interconnector, was removed in 2018 by GTS and BBL. An ITC was initially agreed for the year 2020 and extended until the end of the regulatory period, 2024[31].

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[29] See chapter 6 of this Report.

[30] Computed with 2024 input parameters.

[31] ITC agreement NC TAR decision

(73) The Agency notes that the absence of an entry-exit point, between the Dutch network and the BBL pipeline, *de facto* does not allow the recovery of the revenue associated with the use of the Dutch network when transporting gas to and from the BBL pipeline. As a result of the application of the proposed RPM to the Dutch network, this revenue is allocated to the other points of the network. Users of other points of the network, therefore, bear the costs associated with the use of the BBL pipeline. In the absence of a revenue redistribution, the current tariff structure does not ensure cost-reflectivity of tariffs at the entry-exit points, potentially impairing the objectives of a well-functioning and transparent internal market of gas Regulation (EC) No 715/2009, and, in particular, Article 13 thereof, with regards to the prevention of cross-subsidies and the distortion of trade across borders.

(74) For this reason, the Agency considers that the proposed postage stamp RPM would not be cost-reflective in the absence of a compensation mechanism that addresses the shortcoming referred to in paragraph (73) to ensure compliance with Article 7 of the NC TAR and Article 13 of Regulation (EC) No. 715/2009.

Annex 1: Legal framework

(75) Article 27 of the NC TAR reads:

1. Upon launching the final consultation pursuant to Article 26 prior to the decision referred to in Article 27(4), the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority, shall forward the consultation documents to the Agency.

2. The Agency shall analyse the following aspects of the consultation document:
(a) whether all the information referred to in Article 26(1) has been published;
(b) whether the elements consulted on in accordance with Article 26 comply with the following requirements:
(1) whether the proposed reference price methodology complies with the requirements set out in Article 7;
(2) whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met;
(3) whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.

3. Within two months following the end of the consultation referred to in paragraph 1, the Agency shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document, and the Commission the conclusion of its analysis in accordance with paragraph 2 in English.
The Agency shall preserve the confidentiality of any commercially sensitive information.

4. Within five months following the end of the final consultation, the national regulatory authority, acting in accordance with Article 41(6)(a) of Directive 2009/73/EC, shall take and publish a motivated decision on all items set out in Article 26(1). Upon publication, the national regulatory authority shall send to the Agency and the Commission its decision.

5. The procedure consisting of the final consultation on the reference price methodology in accordance with Article 26, the decision by the national regulatory authority in accordance with paragraph 4, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII may be initiated as from the entry into force of this Regulation and shall be concluded no later than 31 May 2019. The requirements set out in Chapters II, III and IV shall be taken into account in this procedure. The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2019.

(76) Article 26(1) of the NC TAR reads:

1. One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:
(a) the description of the proposed reference price methodology as well as the following items:
(i) the indicative information set out in Article 30(1)(a), including:

(1) the justification of the parameters used that are related to the technical characteristics of the system;

(2) the corresponding information on the respective values of such parameters and the assumptions applied.

(ii) the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;

(iii) the indicative reference prices subject to consultation;

(iv) the results, the components and the details of these components for the cost allocation assessments set out in Article 5;

(v) the assessment of the proposed reference price methodology in accordance with Article 7;

(vi) where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii);

(b) the indicative information set out in Article 30(1)(b)(i), (iv), (v);

(c) the following information on transmission and non-transmission tariffs:

(i) where commodity-based transmission tariffs referred to in Article 4(3) are proposed:

(1) the manner in which they are set;

(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;

(3) the indicative commodity-based transmission tariffs;

(ii) where non-transmission services provided to network users are proposed:

(1) the non-transmission service tariff methodology therefor;

(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;

(3) the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);

(4) the indicative non-transmission tariffs for non-transmission services provided to network users;

(d) the indicative information set out in Article 30(2);

(e) where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity:

(i) the proposed index;

(ii) the proposed calculation and how the revenue derived from the risk premium is used;

(iii) at which interconnection point(s) and for which tariff period(s) such approach is proposed;

(iv) the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.

(77) Article 7 of the NC TAR reads:

The reference price methodology shall comply with Article 13 of Regulation (EC) No 715/2009 and with the following requirements. It shall aim at:

a) enabling network users to reproduce the calculation of reference prices and their accurate forecast;

(b) taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;

(c) ensuring non-discrimination and prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5;

(d) ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;

(e) ensuring that the resulting reference prices do not distort cross-border trade.

(78) Article 13 of Regulation (EC) No 715/2009 reads:

1. Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(1) of that Directive, shall be transparent, take into account the need for system integrity and its improvement and reflect the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including an appropriate return on investments, and, where appropriate, taking account of the benchmarking of tariffs by the regulatory authorities. Tariffs, or the methodologies used to calculate them, shall be applied in a nondiscriminatory manner.

Member States may decide that tariffs may also be determined through market-based arrangements, such as auctions, provided that such arrangements and the revenues arising therefrom are approved by the regulatory authority.

Tariffs, or the methodologies used to calculate them, shall facilitate efficient gas trade and competition, while at the same time avoiding cross-subsidies between network users and providing incentives for investment and maintaining or creating interoperability for transmission networks.

Tariffs for network users shall be non-discriminatory and set separately for every entry point into or exit point out of the transmission system. Cost-allocation mechanisms and rate setting methodology regarding entry points and exit points shall be approved by the national regulatory authorities. By 3 September 2011, the Member States shall ensure that, after a transitional period, network charges shall not be calculated on the basis of contract paths.

2. Tariffs for network access shall neither restrict market liquidity nor distort trade across borders of different transmission systems. Where differences in tariff structures or balancing mechanisms would hamper trade across transmission systems, and notwithstanding Article 41(6) of Directive 2009/73/EC, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles, including in relation to balancing.

(79) Article 4(3) of the NC TAR reads:

3. The transmission services revenue shall be recovered by capacity-based transmission tariffs.

As an exception, subject to the approval of the national regulatory authority, a part of the transmission services revenue may be recovered only by the following commodity-based transmission tariffs which are set separately from each other:

(a) a flow-based charge, which shall comply with all of the following criteria:

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

(ii) calculated on the basis of forecasted or historical flows, or both, and set in such a way that it is the same at all entry points and the same at all exit points;

(iii) expressed in monetary terms or in kind.

(b) a complementary revenue recovery charge, which shall comply with all of the following criteria:

(i) levied for the purpose of managing revenue under- and over-recovery;

(ii) calculated on the basis of forecasted or historical capacity allocations and flows, or both;

(iii) applied at points other than interconnection points;

(iv) applied after the national regulatory authority has made an assessment of its cost-reflectivity and its impact on cross-subsidisation between interconnection points and points other than interconnection points.

(80) Article 4(4) of the NC TAR reads:

4. The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given nontransmission service. Such tariffs shall be as follows:

(a) cost-reflective, non-discriminatory, objective and transparent;

(b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both.

Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.

Annex 2: List of abbreviations

Acronym	Definition
ACER	Agency for the Cooperation of Energy Regulators
ENTSOG	European Network of Transmission System Operators for Gas
NRA	National Regulatory Authority
TSO	Transmission System Operator
EC	European Commission
EU	European Union
MS	Member State
NC TAR	Network code on harmonised transmission tariff structures for gas
IP	Interconnection Point
VIP	Virtual Interconnection Point
RPM	Reference Price Methodology
CWD	Capacity Weighted Distance
CAA	Cost Allocation Assessment
RAB	Regulated Asset Base
OPEX	Operational Expenditures
CAPEX	Capital Expenditures
ACM	The Authority for Consumers and Markets
ITC	Inter-TSO compensation mechanism
GTS	Gasunie Transport Services B.V.