



European Union Agency for the Cooperation
of Energy Regulators

Agency Report

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

NRA: Urząd Regulacji Energetyki (URE)
TSO: GAZ-SYSTEM S.A.

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1. ACER conclusion

- (1) The Transmission System Operator (TSO) of the Polish national transmission network, GAZ-SYSTEM, has carried out the third consultation¹ on the reference price methodology (RPM)² since the entry into force of the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a Network Code on Harmonised Transmission Tariff Structures for Gas (NC TAR).
- (2) Like in previous consultations, GAZ-SYSTEM proposes to apply the same postage stamp RPM individually to each of the two subsystems of high calorific methane gas (H-gas) and low calorific methane gas (L-gas) of the Polish national transmission system separately. GAZ-SYSTEM proposes to use a flexible entry-exit split ranging from 30-70 to 70-30 that can be modified from one year to another. In addition, it proposes to apply a discount of 80% at entry points from and exit points to storage facilities and a 100% discount at the entry point from the LNG terminal in Świnoujście. GAZ-SYSTEM does not propose any commodity charges and proposes two non-transmission services (pressure reduction and compression). The RPM is proposed for a period of two years, from January 2025 till 31 December 2026.
- (3) The NC TAR also foresees a comparison of the proposed RPM with the capacity weighted distance (CWD) methodology. The comparison provided by GAZ-SYSTEM in the initial consultation document did not factor in the full length of the Baltic Pipe which enters the Polish system at the Faxe entry point. This calculation was amended with the correct distance value applicable for this point when the consultation was extended. The results of the comparison with the CWD methodology show that this methodology results in higher tariffs at the Faxe entry point (+49%) and the Santaka entry and exit point (+31% and +57% respectively). ACER notes that the proposed CWD calculation does not include a tariff for the LNG entry point nor a weighted average tariff for domestic exit points. This limits the possibility to compare the proposed RPM with the CWD methodology.
- (4) The NC TAR foresees a cost allocation assessment³ (CAA) to assess the impact of the RPM on cross-subsidisation. The result of the CAA is 9.81%, which is below the 10% threshold foreseen in the Article 5 of the NC TAR and does not require a justification by the national regulatory authority (NRA).
- (5) The Agency, after having completed the analysis of the consultation document pursuant to Article 27(2) of the NC TAR concludes that:
 - The consultation document includes most of the required information listed in Article 26(1) of the NC TAR. However, the consultation document includes only a partial comparison between the proposed RPM and the CWD methodology. For the latter methodology, tariff values for two network points are missing (the LNG entry point and the average tariff for domestic exit points).

¹ The consultation was extended between 19 December 2023 to 18 January 2024 to provide a corrected calculation of the CWD methodology for the comparison with the proposed postage stamp methodology

² The link to the first and second consultation can be found on the Agency's website:
<http://www.acer.europa.eu/gas/network-codes/tariffs/acer-reports-national-tariff-consultations/acer-analysis-national-tariff-consultation-documents>

³ Throughout this document, 'CAA' is used to refer to the cost allocation assessment index described in Article 5(3)(c) of the NC TAR.

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- The Agency concludes that the proposed RPM is compliant with the requirements on cost reflectivity, avoiding cross-subsidisation, and non-distortion of cross-border trade laid out under Article 7 of the NC TAR. The proposed RPM is compliant with the requirement of avoiding volume risk and of ensuring non-discrimination.
 - The proposed RPM is not fully compliant with the requirement on transparency understood as enabling network users to reproduce and forecast tariffs. Users can reproduce tariffs for 2025, however, the Agency notes that the variable entry-exit split limits the capacity of network users to forecast tariffs for 2026.
 - The criteria for setting the commodity charge are not applicable.
 - The criteria applicable for non-transmission services are met, however the information on the indicative fee for the gas pressure reduction service is not included in the consultation document, as is required based on Article 26(1)(c)(ii) of the NC TAR.
- (6) The Agency provides the following recommendations for URE when publishing its motivated decision pursuant to Article 27(4) of the NC TAR:
- (7) First, justify the proposed 100% discount to the entry point from the LNG terminal explaining how the proposed discount is necessary to increase the security of supply of the Polish network and what the appropriate discount level is. The justification should assess how the partial or complete removal of the discount would hinder this goal. The NRA should consider, for this assessment, the already high utilisation rate of the LNG terminal.
- (8) The Agency refers to Recital 10 of the NC TAR, according to which, the application to the NC TAR should be without prejudice to the application of Union and national competition rules, in particular of abuse of a dominant position (Article 102 of the Treaty on the Functioning of the European Union). The Agency further invites URE to encourage the use of the LNG terminal in Świnoujście by more than one shipper so that any tariff discount at this entry point, if granted, benefits multiple stakeholders. This can be done, for example, by setting up efficient use-it-or-lose-it (UIOLI) congestion management procedures and by reviewing the products offered at the LNG terminal, including their type and duration (i.e. long term and short term).
- (9) Second, set a fixed entry-exit split. This is a necessary condition to enable network users to forecast tariffs as remarked by the Agency in earlier reports⁴.
- (10) Third, include the contracted capacity parameter in the simplified model in a disaggregated manner providing a value for each IP⁵.
- (11) Fourth, calculate and publish the tariffs for the LNG entry point and the weighted average tariff for domestic exit points using the CWD methodology. URE should explain how the proposed postage

⁴ See the following two reports: ACER 2021 Report on the Polish consultation for the national transmission system (https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Poland_National.pdf) and ACER 2018 Report on the Polish consultation for the national transmission system ([https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20Analysis%20of%20the%20consultation%20document%20for%20Poland%20\(national%20network\).pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20Analysis%20of%20the%20consultation%20document%20for%20Poland%20(national%20network).pdf)).

⁵ The forecast for the contracted capacity at domestic exit points can be aggregated as a single value.

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stamp methodology impacts network points, compared to the CWD methodology, detailing the effects on entry and exit flows to the network and on competition. The Agency recommends that the NRA compare both methodologies using the same entry-exit split. The Agency further invites URE to calculate and publish the CAA for the CWD methodology.

- (12) Fifth, publish the fee for the gas pressure reduction service, as required by Article 26(1)(c)(ii) of the NC TAR.
- (13) Sixth, reconcile possible under- or over- recoveries separately for transmission and for non-transmission services. The Agency recommends that the NRA reconcile each non-transmission services individually. Article 4(4)(b) of the NC TAR requires that non-transmission services are charged to the beneficiaries; and this cannot be guaranteed if under- or over-recoveries from non-transmission services are reconciled together with transmission services.
- (14) Finally, compare tariffs across tariff periods as required by Article 30(2)(a)(ii) of the NC TAR. This comparison should explain how the planned and commissioned investment impact transmission tariffs over time.

2. Introduction

- (16) Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas (NC TAR).
- (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.⁶ This Report presents the analysis of the Agency for the national transmission system operated by GAZ-SYSTEM in Poland.
- (18) On 6 September 2023, Urząd Regulacji Energetyki (URE), the Polish NRA, forwarded the consultation documents to the Agency. The consultation was launched by GAZ-SYSTEM on 31 August 2023 and remained open until 31 October 2023, and it was extended between 19 December 2023 to 18 January 2024 to provide a reviewed calculation of the CWD methodology for the comparison with the proposed postage stamp methodology. On 15 November 2023 and 18 January 2024 GAZ-SYSTEM informed the Agency that no responses to the consultation and its extension were received. Within five months following the end of the final consultation, and pursuant to Article 27(4) of the NC TAR, URE shall take and publish a motivated decision on all the items set out in Article 26(1).
- (19) GAZ-SYSTEM has already carried out two public consultations based on the NC TAR and published a decision in 2018 for the period 2021-2022 and a decision in 2022 for the period 2023-2024. In parallel with this consultation, GAZ-SYSTEM also carried out a public consultation on the RPM to be applied to the Transit Gas Pipeline System (TGPS), the Polish section of the Yamal-Western Europe gas pipeline owned by EuRoPol GAZ s.a. and operated by GAZ-SYSTEM. This other consultation was assessed in a separate report⁷, prepared and published simultaneously by the Agency.
- (20) A number of bilateral exchanges to collect additional information took place between GAZ-SYSTEM and the Agency. GAZ-SYSTEM provided information in a timely manner following. The Agency appreciates the collaborative effort shown by the TSO and the NRA which have helped the completion of this analysis.

Reading guide

- (21) In Section 3, this document first presents an analysis on the completeness, namely if all the information in Article 26(1) has been published. Section 4 assesses the proposed reference price methodology ('RPM') for Poland. Section 5 focusses on the compliance, namely if the RPM complies with the requirements set out in Article 7 of the code and if the criteria for setting non-transmission tariffs as set out in Article 4(4) are met. This document contains two annexes, respectively the legal framework and a list of abbreviations.

⁶ With the exception of Article 10(2)(b), when different RPMs may be applied by the TSOs within an entry-exit zone.

⁷ Report on the Transit Gas Pipeline System (TGPS) within Poland, published on 15 December 2023 in the following link: [2023 analysis report Poland TGPS.pdf \(europa.eu\)](https://europa.eu/2023_analysis_report_Poland_TGPS.pdf).

3. Completeness

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

- (22) 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.
- (23) Article 26(1) of the NC TAR requires that the consultation document should be published in the English language, to the extent possible. The Agency confirms that the consultation document has been published in English.
- (24) Overall, most of the information in Article 26(1) of the NC TAR has been properly published. The Agency recommends that URE includes in the motivated decision the missing elements that are referred to in Table 1 below.

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: <ul style="list-style-type: none"> 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 	Yes. The distance value applicable for the Faxa entry point has been corrected and provided in the consultation extension.
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	Yes
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
26(1)(a)(v)	the assessment of the proposed reference price methodology in accordance with Article 7	Yes
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)	Partially. The CWD methodology was amended in the extended consultation to fulfil this requirement. However, the calculation does not include a tariff for the entry point from the LNG terminal nor a weighted average value for the tariff applicable to domestic exit points.
26(1)(b)	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes
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 <ul style="list-style-type: none"> 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 	Not applicable

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26(1)(c)(ii) 26(1)(c)(ii)(1) 26(1)(c)(ii)(2) 26(1)(c)(ii)(3) 26(1)(c)(ii)(4)	<p>where non-transmission services provided to network users are proposed:</p> <ul style="list-style-type: none"> 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 	<p>Partially,</p> <p>the indicative non-transmission tariff for the gas pressure reduction service is not provided</p>
26(1)(d)	the indicative information set out in Article 30(2);	<p>Partially. The consultation does not compare the tariffs across tariff periods as required by Article 30(2)(a)(ii) of the NC TAR.</p>
26(1)(e) 26(1)(e)(i) 26(1)(e)(ii) 26(1)(e)(iii) 26(1)(e)(iv)	<p>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:</p> <ul style="list-style-type: none"> 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 	<p>Not applicable</p>

4. Assessment of the proposed reference price methodology

- (25) The following chapter assesses the proposed RPM taking into account the input parameters of the methodology and the cost allocation assessment.

4.1 Description of the Polish transmission network

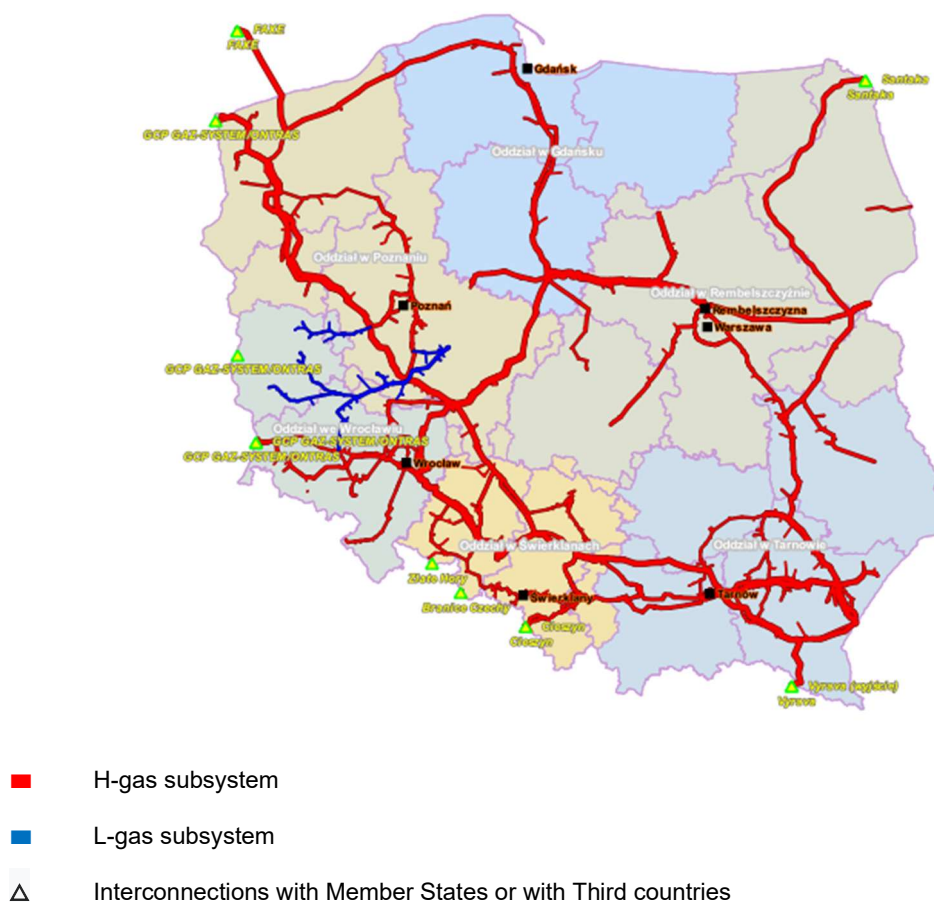
- (26) The Polish national transmission system is a highly meshed network, separated into two hydraulically not connected subsystems of high-calorific methane gas (H-gas) and low-calorific methane gas (L-gas). The H-gas subsystem consists of 11,071 km of pipelines, 797 exit points and 50 entry points connecting the system to domestic production locations, the distribution network, UGS facilities, the LNG terminal and interconnection points with Germany, Czechia, Slovakia, Lithuania, Denmark⁸ and Ukraine. The L-gas subsystem, which is standalone and much smaller, consists of 695 km of pipelines with seven domestic entry points and 78 domestic exit points⁹.

⁸ The Baltic Pipe, connecting the gas systems of Poland, Denmark and Norway, was commissioned with partial capacity on 1 October 2022 and reached full capacity on 30 November 2022. <https://www.baltic-pipe.eu/dk/the-project/baltic-sea-offshore/>. The offshore gas pipeline in the Baltic Sea is owned by GAZ-SYSTEM and is part of the Polish national transmission system. The entire offshore route is approximately 275 km long. <https://www.baltic-pipe.eu/dk/the-project/baltic-sea-offshore/>

⁹ All numbers take stock of the situation as of the end of June of 2023.

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Figure 1 Map of the national current Polish national transmission network



- (27) As recommended by the Agency in its previous report, the consultation document contains more detailed information on the ongoing large investment projects in the national transmission network that are planned for commissioning in 2025 and 2026. Table 1 provides more information on the main investments projects that will be completed by GAZ-SYSTEM during the period covered by the proposed methodology.

Table 2 Assets planned for decommissioning in 2025-2026 (m PLN and m EUR in brackets)

Assets planned for commissioning	2025	2026
FSRU Program – investments in the Polish transmission network related to the construction of the Gdańsk FSRU terminal.	PLN 0 m (EUR 16 m)	PLN 2091 m (EUR 478 m)
TGPS Program – investments in the Polish transmission network related to the utilisation of the TGPS pipeline, including construction of the Lwówek compressor and new connection points to the TGPS	PLN 73 m (EUR 16 m)	PLN 689 m (EUR 157 m)
Coal to Gas program – expansion of the transmission system in South West Poland (part of intra-system investment programs)	PLN 463 (EUR 105 m)	PLN 435 m (EUR 99 m)
Domestic investment projects	PLN 1664 (EUR 380 m)	PLN 2392 (EUR 547 m)
Total	PLN 2199 (EUR 501 m)	PLN 5607 (EUR 1281 m)

Note: conversion applied based on the following exchange rate: EUR 1 = PLN 4.3725 (24 January 2024)¹⁰

¹⁰ ECB exchange rate as of 24 January 2024 ([link](#))

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- (28) Figure 2 shows the geographical location of the main investments projects that will be completed by GAZ-SYSTEM during the period covered by the proposed methodology.

Figure 2 Planned developments in Polish National Transmission System



- (29) The total investment planned for commissioning in 2025/26 amounts to PLN 7.8 bn^{11 12} (EUR 1.8 bn), of which, PLN 4.9 bn (EUR 1.1 bn) are investments in the Polish national transmission network. This represents about 32% of the regulatory asset base¹³ (RAB). These investment projects will enable further diversification of gas supply directions and represent a potential for ensuring stable gas supply to Poland. In the consultation document, GAZ-SYSTEM points out that the implementation of these projects leads to an increase in the allowed revenue of 13% (approximately PLN 0.4 billion or EUR 91 m¹⁴) in 2026.
- (30) The Agency recommends that the NRA explain how the planned and commissioned investment will impact transmission tariffs over time.

¹¹ See footnote 10.

¹² The allowed revenue presented in the consultation document and used to calculate the indicative tariffs for 2025 does not include these additional assets.

¹³ See information published regarding Article 30 (1)(b)(iii) of the NC TAR: <https://www.gaz-system.pl/en/for-customers/services-in-the-nts/nts-tariff/tar-nc.html>

¹⁴ See footnote 10.

4.2 Difference in the level of transmission tariffs between tariff periods

- (31) The proposed RPM for the next regulatory period is almost identical to the RPM currently used. However, the tariffs for the transmission entry points and the entry points from storages on the H-gas subsystem will increase by 12% in 2025 compared to 2024, while the tariff for the exit points remains at a similar level (-1% for domestic exit points and -2% for exit points to storages)¹⁵. The tariffs applied to the L-gas subsystem will remain unchanged.
- (32) The main factor explaining the difference in tariff rates in 2025 compared to 2024 is the decrease in forecasted booked capacities for entry points. The indicative allowed revenue level for 2025 is assumed to be the level of the allowed revenue for 2024. In the consultation document GAZ-SYSTEM expects that, as a result of commissioning of different assets, the allowed revenue for 2026 will increase by approximately PLN 0.4 billion (13% compared to the projected forecasted revenue for 2025).

4.3 Description of proposed RPM

- (33) Like in the previous consultation, GAZ-SYSTEM proposes to apply a postage stamp RPM to the two separate subsystems of H-gas and L-gas of the Polish national transmission system. The proposed RPM is applied separately to the two subsystems, meaning that each subsystem has its own set of input parameters (allowed revenue, forecasted contracted capacity) while the entry-exit split is the same. Like in previous consultations, the Agency considers this approach justified on the ground that the two subsystems are operated separately. The Agency notes that the L-gas subsystem is marginal compared to the H-gas subsystem (about 2% of the allowed revenue for transmission services and 3% and 6% of the exit and entry capacities respectively). Hence the focus of the analysis is on the latter of the two subsystems.
- (34) GAZ-SYSTEM proposes that the methodology described in the consultation document will be valid for a period of 2 years, i.e. from 1 January 2025 to 1 January 2027. The two-year tariff period has been sustained as observed in earlier tariff consultations.

4.3.1 Entry-exit split

- (35) GAZ-SYSTEM proposes to use a flexible entry-exit split ranging from 30-70 to 70-30 that can be modified from one tariff year to the next one, to be assessed by the NRA in the annual tariff proceedings. GAZ-SYSTEM considers this flexibility necessary, since significant changes in the distribution of the forecasted capacities at entry and exit points caused by the commissioning of new infrastructure and reconfiguration of the system's operation, could otherwise lead to significant tariff changes at entry and at exit points. The indicative reference prices presented in the consultation document are calculated based on a 45-55 entry-exit split.

¹⁵ The tariff for the entry point from LNG remains the same which can be explained by the 100% discount is applied and proposed to apply again.

4.3.2 Forecasted contracted capacity

- (36) GAZ-SYSTEM proposes to use forecasted contracted capacities as the only cost driver of the RPM and does not propose to use a commodity charge. As recommended by the Agency in its previous report, GAZ-SYSTEM provides in the consultation document the forecasted contracted capacity used to calculate the reference prices in a more detailed manner. This includes a dedicated forecast of contracted capacity for each interconnection point and LNG, an aggregation for all domestic entry points, all domestic exit points (both separately for the L-gas and H-gas subsystem), all entries to storage and an aggregation for all exits to storage.
- (37) The Agency recommends including the capacity forecast in a disaggregated format also in the simplified tariff model, as detailed in paragraph (56) of this report.

4.4 LNG and storage discounts and rescaling

- (38) In accordance with Article 9 of NC TAR, GAZ-SYSTEM proposes to apply a discount of 80% at entry points from and exit points to storage facilities and a discount of 100% at the entry point from the LNG terminal in Świnoujście.
- (39) The 100% discount at the entry point from the LNG terminal is part of URE's consultation on discounts, multipliers and seasonal factors for 2025, pursuant to Article 28 of the NC TAR¹⁶. In that consultation document, the NRA justifies the discount arguing that it increases the security of supply of Poland through diversification of the gas supply and the development of competition on the domestic gas market through the possibility of obtaining gas from new gas sources. As argued by the NRA, this reduces the dependence on supplies from Russia. In that consultation document it is demonstrated that the use of the LNG terminal and its share of total gas entering the Polish national transmission system increases over the years. The utilisation of the terminal¹⁷, calculated as the send-out divided by the maximum send out capacity, has increased over time: 2016 (26%), 2017 (31%), 2018 (50%), 2019 (61%), 2020 (67%), 2021 (68%), 2022 (80%) and 2023 (84%).
- (40) The missing revenue resulting from the proposed discounts is recovered at entries (for the discounts applied to entry points) and at exits (for the discounts applied to exit points).
- (41) The Agency notes that this consultation does not provide justification of the proposed 100% discount at the entry point from the LNG terminal on the basis of security of supply. The justification provided in the consultation document for the consultation pursuant to Article 28 of the NC TAR is descriptive and does not explain why the proposed discount is necessary for the security of supply of the Polish network.
- (42) The Agency recommends that the URE justify the proposed discount explaining how the proposed discount is necessary to increase the security of supply of the Polish network and what the

¹⁶ The consultation by the NRA started on 6 September 2023 and ended on 6 November 2023. Consultation on discounts, multipliers and seasonal factors for 2025 gas transmission tariffs. Link: <https://www.ure.gov.pl/en/markets/gas/factors-for-2025/357,Consultation-on-discounts-multipliers-and-seasonal-factors-for-2025-gas-transmis.html>

¹⁷ Ratios calculated using data publicly available at: www.gie.eu

appropriate discount level is. The justification should assess how the partial or complete removal of the discount would hinder this goal and why some degree of cross-subsidisation with other points of the network is required. The NRA should consider for this assessment the already high utilisation rate of the LNG terminal.

- (43) The Agency refers to recital 10 of the NC TAR, according to which, the application to the NC TAR should be without prejudice to the application of Union and national competition rules, in particular of abuse of a dominant position (Article 102 of the Treaty on the Functioning of the European Union). The Agency further invites URE to encourage the use of the LNG terminal in Świnoujście by more than one shipper so that any tariff discount at this entry point, if granted, benefits multiple stakeholders. This can be done, for example, by setting up efficient use-it-or-lose-it (UIOLI) congestion management procedures and by reviewing the products offered at the LNG terminal, including their type and duration (i.e. long term and short term).

4.5 Comparison with the CWD methodology

- (44) In the consultation document GAZ-SYSTEM compares the proposed postage stamp methodology and the standard CWD methodology as laid out in Article 8 of the NC TAR¹⁸. GAZ-SYSTEM presents a comparison for each individual entry and exit point for which booked capacities are forecasted in 2025.
- (45) The Agency notes that GAZ-SYSTEM provided in the consultation document a CWD methodology which was based on distance values for the Faxe IP (the Baltic Pipe) that did not reflect the offshore section of this pipeline. The distance associated with the point was measured only from the onshore arrival point of the pipeline. As a result, the offshore segment of the Baltic Pipe, about 275 km, was not included as distance. At the same time, the Agency notes that the costs associated with this segment were allocated using the RPM.
- (46) The results of this CWD calculation are summarised in the centre columns in Table 3 below. The table also shows the difference between the tariffs derived using the proposed postage stamp methodology and the CWD methodology.
- (47) Upon the communication of this finding, the TSO extended the consultation using the corrected distance values for the calculation of the CWD methodology including the offshore distance of the Baltic Pipe. The result of this second calculation are summarised on the right two columns of Table 3 below. The TSO additionally calculated the CAA for the CWD methodology, although this information has not been included as part of the consultation.

¹⁸ Annex 1 of the consultation document.

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Table 3: Comparison between the tariffs derives using the proposed postage stamp methodology and the CWD (calculated with and without the offshore section of the Baltic pipe). Source: GAZ-SYSTEM

[gr/(kWh/h) per h]		Postage stamp (entry/exit split 45/55)	Postage stamp (entry/exit split 50/50)	No offshore section		With offshore section	
				CWD (entry/exit split 50/50).	Difference between postage stamp and CWD	CWD (entry/exit split 50/50).	Difference between postage stamp and CWD
Entry	PWP (TGPS)	0.6921	0.769	0.5437	-21%	0.4380	-37%
	IP (DE)	0.6921	0.769	0.7742	12%	0.6237	-10%
	IP (UA)	0.6921	0.769	0.6899	0%	0.5558	-20%
	Cieszyn (CZ)	0.6921	0.769	0.6791	-2%	0.5471	-21%
	Vyraya (SK)	0.6921	0.769	0.7595	10%	0.6118	-12%
	Santaka (LT)	0.6921	0.769	1.1278	63%	0.9084	31%
	FAXE (DK)	0.6921	0.769	0.8785	27%	1.0296	49%
Exit	IP (DE)	0.2964	0.2694	0.312	5%	0.3081	4%
	IP (UA)	0.2964	0.2694	0.3575	21%	0.3490	18%
	Vyraya (SK)	0.2964	0.2694	-	-	-	-
	Santaka (LT)	0.2964	0.2694	0.4852	64%	0.4648	57%
	FAXE (DK)	0.2964	0.2694	0.2719	-8%	0.3762	27%
	Domestic points	0.2964	0.2694	-	-	-	-

Note: in red percentages above 25%.

The percentage difference is calculated using the following formula: $(\text{CWD} - \text{postage stamp tariff}) / (\text{postage stamp tariff})$.

The tariff for the exit point to Vyraya IP is not derived for the CWD methodology as the contracted capacity forecast for this point is zero.

- (48) The tariffs derived using the CWD methodology (calculated considering the offshore section of the Baltic Pipe) are higher compared to the proposed postage stamp tariffs at the Faxe entry point (+49%), the Santaka entry and exit point (+31% and +57% respectively).
- (49) The Agency notes that the CWD methodology is not used to derive tariffs for the LNG entry point in addition to an average weighted tariff for domestic exit points. In the absence of this information, the comparison between the proposed RPM and the CWD methodology is not complete. The Agency recommends including both tariffs in the motivated decision explaining the difference between both methodologies. URE should explain how the proposed postage stamp methodology impacts network points, compared to the CWD methodology, detailing the effects on entry and exit flows to the network and on competition. The Agency recommends using the same entry-exit split for the proposed methodology and the CWD methodology. The Agency further invites URE to publish the CAA for the CWD methodology.

4.6 Cost allocation assessment

- (50) In the consultation document GAZ-SYSTEM provided the CAA results for the proposed postage stamp RPM. GAZ-SYSTEM only performed the CAA for the H-gas subsystem since the L-gas subsystem is not connected to any interconnection point.
- (51) The result for the proposed RPM is 9.81% based on the cost driver of capacity and does not require further justification based on Article 5(6) of the NC TAR.

4.7 ACER conclusion on the proposed RPM

- (52) The Agency considers that choice of a postage stamp RPM suits the characteristics of the Polish national transmission system (which is meshed and connected with several IPs, domestic production points, LNG and storage facilities, allowing multiple flow patterns).

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 RPM 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 these 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.
- (54) As the concepts of transparency, cost reflectivity, non-discrimination, cross-subsidisation and cross border trade are closely related the Agency concludes with an overall assessment.

5.1.1 Transparency

- (55) **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.
- (56) The Agency finds the simplified tariff model, as required by Article 30(2)(b) of the NC TAR, useful as it allows network users to reproduce transmission tariffs for 2025. However, the application of a variable entry-exit split limits the forecast of tariffs for 2026.
- (57) The Agency recommends that the contracted capacity parameter in the simplified model is disaggregated per network point providing a value for each IP. The forecast for the contracted capacity at domestic exit points can be aggregated as a single value.
- (58) The Agency notes that according to Article 26(1)(d) of the NC TAR the consultation document should compare “*estimated difference in the level of transmission tariffs for the same type of transmission service applicable for the tariff period for which the information is published and for each tariff period within the remainder of the regulatory period*”.
- (59) The Agency recommends that URE compare tariffs across tariff periods, as required by Article 30(2)(a)(ii) of the NC TAR.
- (60) In addition, and as in its previous report, the Agency remarks that the consultation document does not indicate a fixed entry-exit split, only a range from 30-70 to 70-30. In exchanges with the Agency, GAZ-SYSTEM informed the Agency that it does not have any specific information about changes in level of booking capacity in the next two years, but that it has seen a decrease in values of contracted capacity at the entry points in last two years. Therefore, GAZ-SYSTEM proposes a flexible entry-exit split to help prevent potential tariff increase at entry points.

- (61) The Agency repeats its consideration that publishing a range of entry-exit split is not sufficient to comply with the transparency requirement of the NC TAR set out in Article 7(a). The Agency repeats its recommendation made in its previous report and recommends setting a fixed entry-exit split.

5.1.2 Cost-reflectivity and non-discrimination

- (62) **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.
- (63) The Agency considers that the choice of a postage stamp RPM suits the characteristics of the Polish transmission network. Following the analysis in section 4, the Agency concludes that the proposed postage stamp methodology is compliant with the requirement on cost-reflectivity.

5.1.3 Cross-subsidisation and discrimination

- (64) **Article 7(c)** of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation.
- (65) Following the conclusion on the compliance of the proposed RPM with the requirement on cost-reflectivity, the Agency concludes that the proposed RPM is compliant with the requirement to prevent undue cross-subsidisation.
- (66) The Agency has not identified discrimination¹⁹ resulting from the correct application of the NC TAR, nor from practices not allowed by the NC TAR. The Agency highlights that the allocation of all transmission costs via a single RPM to all entry-exit points minimises the possibility of discrimination. At the same time, the Agency refers to the recommendations made in paragraphs (42) and (43) of this report.

5.1.4 Volume risk

- (67) **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 Polish national transmission network it is not the case that significantly more gas is transported for cross-system use than for intra-system use.

5.1.5 Cross-border trade

- (68) **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade.
- (69) Following the conclusion on the compliance of the proposed RPM with the requirement on cost-reflectivity, the Agency concludes that the proposed RPM is compliant with the requirement to prevent undue cross-subsidisation.

¹⁹ For this analysis, the Agency defines 'discrimination' as 'applying different rules to comparable situations or the same rule to different situations.'

5.2 Are the criteria for setting non-transmission tariffs as set out in Article 4(4) met?

- (70) Article 27(2)(b)(3) of the NC TAR requires the Agency to analyse whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.
- (71) Like in the previous consultation, GAZ-SYSTEM proposes to offer two non-transmission services: a gas pressure reduction service²⁰ and a compression service²¹ and recover these services via non-transmission tariffs. The non-transmission services revenue equals about PLN 102 million which equals about 3% of the total allowed revenue of GAZ-SYSTEM. Possible under- or over-recovery of the non-transmission services are reconciled as part of the overall reconciliation.
- (72) Again, the Agency considers that these services can be considered as non-transmission services, insofar as they form part of the TSO's regulated activity, and it is possible to identify the beneficiaries and charge them the corresponding costs (as provided for in Article 4(4) of the NC TAR)).
- (73) Compared to the previous consultation, the gas pressure reduction service will be provided upon a consumer's request like is the case for the gas compression service.²² This allows GAZ-SYSTEM to charge the costs of both services to those network users that specifically request to benefit from these services. The Agency notes that according to Article 4(4)(b) of the NC TAR, non-transmission tariffs should be charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation.
- (74) The non-transmission tariff for the pressure reduction service is a fixed fee dependent on the contracted capacity allocated to a given system user at a physical exit point. The fee is calculated by dividing the total fixed costs allocated to this service by booked capacities for this service. The non-transmission tariff for the gas compression service is a monthly charge based on a fixed subscription fee - determined once a year based on the fixed cost of the compression service - and a variable fee depending on the amount of energy added to the gaseous fuel during the compression process and a Gas Reference Price²³.
- (75) While for the gas compression service the indicative monthly fixed subscription fee and the variable fee are presented in the consultation document, the information on the indicative fee for the gas pressure reduction service is not included, as is required based on Article 26(1)(c)(ii) of the NC TAR. The data, assumptions and final decision on these fees will be available in the final tariff decision by URE.
- (76) The Agency considers these non-transmission tariffs to be cost-reflective, non-discriminatory, and objective and will be charged to the beneficiaries of the non-transmission services. On

²⁰ The gas pressure reduction service is aimed at delivering the adequate gas pressure to final users connected to the transmission system. GAZ-SYSTEM operates approximately 655 pressure reduction and metering stations to provide this service.

²¹ The compression service is aimed at permanently or temporary delivering a pressure at the entry to or exit point to the national transmission system above or below the standard values published on the website of GAZ-SYSTEM.

²² After the consultation this was changed. It is already the practice that the service is provided upon request.

²³ The Gas Reference Price is based on the gas price paid for procurement of the gas needed for this service by GAZ-SYSTEM.

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transparency, the Agency recommends that URE includes the fee for the gas pressure reduction service in its motivation decision.

- (77) Even though the revenues of these non-transmission services amount only to a small part of the total allowed revenue (3%), the Agency recommends URE to reconcile possible under- or over-recoveries separately for transmission and for non-transmission services. The Agency recommends that the URE reconcile each non-transmission services individually. Article 4(4)(b) of the NC TAR requires that non-transmission services are charged to the beneficiaries. Such approach should improve the cost-reflectivity of tariffs.

Annex 1: Legal framework

(78) 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.

(79) 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.*

(80) 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.*

(81) 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.

(82) 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;*

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(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.

(83) 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