ACER

European Union Agency for the Cooperation of Energy Regulators

Tariff report

Analysis of the consultation document on the gas transmission tariff structure for Denmark

5 March 2026

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Analysis of the consultation document on the gas transmission tariff structure for Denmark

NRA: Forsyningstilsynet

TSO: Energinet Gastransmission A/S

5 March 2026

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1. ACER conclusion

1 The Danish natural gas transmission system operator ('TSO') Energinet Gastransmission A/S ('Energinet') has carried out a consultation on the reference price methodology ('RPM') for the Danish transmission network. This is Energinet's third consultation on the reference price methodology since Commission Regulation (EU) 2017/460 ('NC TAR') came into force.

2 The proposed RPM contains very limited changes compared to the currently applied methodology.

3 The proposed RPM is a postage stamp methodology, using a uniform capacity tariff for both entry and exit points. The proposed postage stamp methodology is used to calculate tariffs for all system points.

4 The proposed RPM shall apply from 1 January 2027 to 31 December 2031 and indicative tariffs are calculated for this period.

5 The entry-exit split is calculated ex-post: its value for 2027 is foreseen to be 51%-49%.

6 For storage facilities connected to the system, Energinet proposes the continued application of a discount of 100%.

7 No secondary adjustments (rescaling, benchmarking, equalisation) are proposed. In January 2025 the Danish NRA, the Danish Utility Regulator (Forsyningstilsynet, DUR) granted exemptions to Energinet from applying discounts foreseen by Article 18 of Regulation 2024/1789 for renewable and low-carbon gases both at production entry points and interconnection points[1].

8 Energinet proposes no commodity-based transmission tariffs.

9 Energinet proposes two kinds of non-transmission tariffs:

- for the allocation of the costs of the upstream segment of the Baltic Pipe project, a uniformly applied capacity-based fee is proposed for all exit points, on top of the capacity transmission tariffs and completely socialising the related costs,
- and the emergency supply tariff for protected and non-protected customers, which is a volume-based fee paid by end-consumers.

10 In line with the provisions of the NC TAR, Energinet carried out a cost allocation assessment ('CAA') considering multiple scenarios and calculated the tariffs in accordance with the capacity-weighted distance ('CWD') methodology. The assessment resulted in the CAA index reaching a value above the 10% threshold foreseen by the NC TAR for 2027 for all variants indicating potential cross-subsidies, and values below the threshold for the years 2028-2031 for the variant considered as conclusive by Energinet. For all variants the application of the CWD methodology gives better results for most of the tariff periods. The tariffs calculated using the CWD methodology are higher at the Baltic Pipe network points, while lower at the rest of the network points. The Agency notes that the CAA results for the postage stamp tariffs have significantly improved since the last consultation in 2021, when the resulting values were between 17-22% with the upstream merger, and 34-42% without it.

11 The Agency appreciates the willingness of both Energinet and DUR to discuss the RPM and its provisions and to offer additional information in a timely manner.

12 The Agency, after having completed the analysis of the consultation document pursuant to Article 27(2) of the NC TAR concludes that:

- The information referred to in Article 26(1) of the NC TAR has mostly been published.

[1] https://afg.forsyningstilsynet.dk/h/42c520c9-70bc-4643-93f3-3f63bb755d28/7839f3403840415eb5f0c96669949bf7?showExact=true

- The RPM is compliant with the requirements on transparency, non-discrimination and volume-risk listed under Article 7 of the NC TAR.
- The Agency, however, cannot conclude on the requirements of cost-reflectivity, prevention of undue cross-subsidisation, and non-distortion to cross-border trade, due to reasons related to the allocation of upstream costs and the choice of the reference price methodology.
- The criteria for setting the commodity charge are not applicable.
- The Agency cannot conclude on the compliance of the proposed non-transmission charges to allocate the costs of upstream assets, as the substantiation published in the consultation document is not sufficient to conclusively justify the allocation of the upstream infrastructure's costs to all Danish network users[2].
- The proposed emergency supply tariff non-transmission services are not appropriately classified based on the scope the NC TAR prescribes.

13 The Agency provides the following recommendations to DUR when publishing its motivated decision pursuant to Article 27(4) of the NC TAR:

- First, with regards to the allocation of upstream costs to users, the Agency, as in its 2022 Analysis of the Danish RPM proposal, recommends the application of the same level of scrutiny, regulatory oversight and transparency for the affected upstream costs, as it is required for the transmission network. While the Agency acknowledges that upstream infrastructures are not under the scope of the network codes, it recommends considering the voluntary application of the provisions of the network codes to this infrastructure to the extent it is possible and reasonable, given that in the proposed methodology the Baltic Pipe upstream infrastructure receives the same revenue guarantees as the transmission infrastructure, possibly with the intention to smoothen access to users. The Agency recommends Energinet and DUR to carry out, before the final decision on the RPM, modified cost allocation assessments analysing the potential cross-subsidies (excluding the socialisation of the upstream costs) between the users of the Baltic Pipe infrastructure and the users of the rest of the system. The Agency also recommends Energinet and DUR to periodically compare the quantified benefits of the socialisation of the upstream costs with the costs allocated to the non-Baltic Pipe network users. The Agency acknowledges that the Baltic Pipe and the Joint Market Zone brings a largely increased volume of flows to the Danish system, which has significant benefits for the users. The Agency also notes that the positive effects of the increased flows on the level of transmission tariffs were analysed both before the commissioning of the infrastructure and in the previous tariff decision, showing that the increased volumes lead to lowered unit costs. Article 27(4) of the NC TAR however requires that the consultation on transmission and non-transmission tariffs is repeated at least every five years. This includes the analysis of the criteria that non-transmission tariffs are charged to the beneficiaries of the non-transmission service, therefore every time non-transmission tariffs are being consulted, it is necessary to prove that this condition is still being fulfilled. This can be done, for example, by updating the previously published analysis of the effect of the increased volumes on the tariff levels. The Agency notes that unless an infrastructure was granted a derogation in line with Article 37 of the NC TAR or a contract is exempted based on Article 35 of the NC TAR, the requirement for periodically consulting as provided by Article 27(4) of the NC TAR shall include all transmission and non-transmission services. While the predictability and stability of tariffs is an important regulatory principle, restricting the regulatory authority's decision-making powers in cases where network users have long term bookings over five years and/or where non-exempted infrastructure was built based on an open season, would not be in line with the above legal provisions.
- Second, with regards to the emergency supply tariffs, to reclassify them outside the NC TAR framework, as these tariffs are charged to end-users, and therefore do not fulfil the criteria of non-transmission services, which, according to the NC TAR, are services provided to network

[2] The Agency notes that following the conclusion of the consultation, Energinet provided information strongly suggesting that the increased flows from the Baltic Pipe create benefits that outweigh the tariff increases caused by socialising the upstream costs.

users. The Agency recommends DUR and Energinet to continue applying the current good practices regarding the emergency supply service's transparency and consult stakeholders even after the service has been re-evaluated.

- Third, for discounts for interruptible capacity products, the Agency recommends closely following the formula set out in Article 16(2-3) of the NC TAR, or if the lack of interruptions make the calculations of the formula unfeasible, then the application of the ex-post discount in line with Article 16(4) of the NC TAR.
- Fourth, to supplement the published tariff model with data for the calculation of 2031 tariff and provide further granularity by calculating separately the reference price and the non-transmission charge. The Agency also recommends applying all the transparency requirements that EU law prescribes for the transmission system operators to the upstream pipeline with its costs socialised through the non-transmission charge in their entirety, including the transparency requirement enacted by Article 19(1) of Regulation (EU) 2024/1789 for the methodologies, parameters and values used to determine the allowed or target revenue of transmission system operators, in order to enable network users to understand better the tariffs.
- Fifth, to recalculate the tariffs and carry out the CAA and CWD calculations again, taking into account the effect of the use/non-use of the multipliers during the annualisation of the capacities, using different sets of capacities for the transmission and non-transmission tariffs. In case of within-year products, multipliers are applied for transmission tariffs, but not for non-transmission tariffs. Energinet does not take into account this difference by using two different sets of annualised capacities for the transmission and the upstream non-transmission tariffs. Instead, Energinet adjusts the allowed revenue for the transmission tariffs through the subtraction of the forecast extra revenue from the short term products. While this is mathematically equivalent in the case of the uniform postage stamp tariff, it might lead to distortions in the case of the CWD tariff if the share of short-term products differs between network points, limiting the usability of the comparison between CWD tariffs and postage stamp tariffs. As a guidance for carrying out the annualisation, the Agency points to the second edition of non-binding implementation guide for the NC TAR prepared by ENTSOG[3], which provides a clear and helpful description of this procedure in its Annex I, on pages 230-232.
- Sixth, to reassess charges set outside the framework of the NC TAR and NC BAL, and if justified, reclassify them. Energinet applies several charges that are set outside the framework set by the NC TAR and the NC BAL and were not included in the consultation document. While some of these charges can be classified as penalties, the Agency reiterates its recommendation from paragraph (58) of its 2018 Tariff Report to reclassify the off-spec fee under the framework of the NC TAR, if the updated methodology fulfils the relevant requirements.
- Seventh, to provide easier readability by collecting all the key data and justifications required by Article 26(1) of the NC TAR in a user-friendly format. Almost all data required by Article 26(1) is included in the consultation document, however due to the modular structure of the document and the variety of topics included, reaching beyond the strict scope of the consultation topics foreseen by Article 26 of the NC TAR, key information is scattered across the chapters. While the modular approach is practical, a summary aggregating better the key points and data on the different topics would improve the readability of the documents.

14 The Agency remarks that the merger of the upstream network and the creation of the Joint Market Zone, and their compliance with EU law is outside the scope of this analysis, which was carried out based on Article 27(2) of the NC TAR and focused strictly on the elements closely related to the compliance of the reference price methodology with the requirements set out in Article 27(2)(b). The Agency therefore invites DUR and Energinet to fully clarify the status of the upstream pipeline and the conditions and benefits of Joint Market Zone, including the allocation

[3] https://www.entsog.eu/sites/default/files/2019-10/entsog_TAR_NC_2017_2nd_ed_update_1910_web.pdf

of upstream costs to the users of the transmission network together with the detailed workings - the effects and limitations - of this zone merger.

2. Introduction

15 Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas ('NC TAR').

16 Article 27 of the NC TAR requires the Agency to analyse the consultation documents on the reference price methodologies for all entry-exit systems[4]. This report presents the analysis of the Agency for the transmission system of Denmark.

17 On 1 October 2025, the TSO Energinet launched the consultation which was forwarded to the Agency by the National Regulatory Authority (NRA) Danish Utility Regulator (DUR). The consultation remained open until 30 November 2025. On 5 November 2025 Energinet updated the consultation document with some minor, non-substantial corrections. On 13 January 2026, the seven consultation responses and their English summary were published. The Agency has taken these into consideration for this analysis. Within five months following the end of the final consultation, and pursuant to Article 27(4) of the NC TAR, DUR, the Danish NRA, shall take and publish a motivated decision on all the items set out in Article 26(1).

Reading guide

18 Chapter 3 of this document presents an analysis on the completeness, namely if all the information in Article 26(1) has been published. Chapter 4 assesses the proposed reference price methodology ('RPM') for Denmark. Chapter 5 focuses on the compliance, namely if the RPM complies with the requirements set out in Article 7 of the code, if the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met, 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.

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

3. Completeness

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

19 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.

20 Article 26(1) of the NC TAR requires that the consultation document should be published in the English language, to the extent possible. In line with this requirement, Energinet also published the document in English simultaneously with the Danish version.

21 Overall, almost all information in Article 26(1) of the NC TAR has been properly published, as detailed in the following table. The Agency recommends the inclusion of the missing information in the final decision.

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	Yes
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)	Yes
26(1)(b)	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes, except for the total allowed revenue (while both the transmission and the two non-transmission revenues are published separately, their aggregate total, including the allowed revenue from both the transmission service and the upstream and the emergency supply non-

		transmission services, is not)
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	Not 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 therefore • 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	Yes
26(1)(d)	the indicative information set out in Article 30(2);	Partially. Tariffs are provided, but without a clearly delineated explanation of their evolution, and the simplified tariff model does not include the year 2031
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

22 The present chapter assesses the proposed RPM taking into account the input parameters of the methodology and the cost allocation assessment.

4.1. Timeline for the application of tariffs

23 The consultation document proposes the application of the reference price methodology for five years, from the start of the 1 January 2027 gas-day to end of the 31 December 2031 gas-day. (The regulation period for the emergency supply tariff is from 1 October 2027 to 30 September 2032.) Non-binding indicative tariffs based on forecasted inputs are calculated for all calendar years between 2027 and 2031.

4.2. Description of the network

24 The Danish natural gas network consists of a single transmission system, operated by the sole Danish gas TSO, Energinet. The system has five entry points (Nybro, Faxe, Ellund, the North Sea entry point and the entry point from renewable producers) and three exit points (Ellund, Faxe and the Joint Exit Zone). The North Sea entry point, the entry point from renewable producers and the Joint Exit Zone are virtual points, while Ellund is a virtual interconnection point, connecting Energinet with two German TSOs. Two storage facilities are connected to the system which are handled through a virtual storage point. The Danish system has two virtual trading points, the Gas Transfer Facility and the Exchange transfer facility, the latter used as the delivery point of exchange traded standardised contracts.

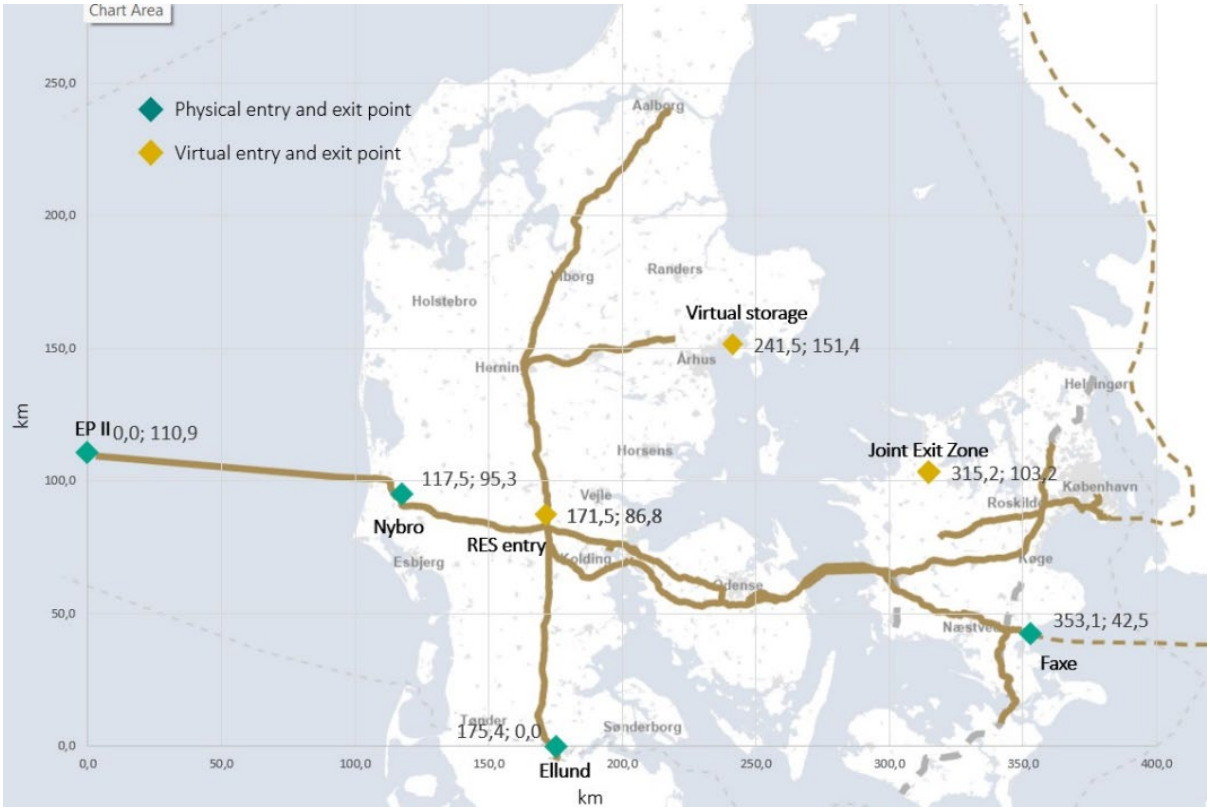
25 The system has two compressor stations: at Egtved and at Everdrup.

26 On 14 February 2022 the establishment of a Joint Market Zone was approved by DUR[5], including the upstream part of the Baltic Pipe connecting the Norwegian gas system and the Danish transmission system. The establishment of the Joint Market Zone also resulted in the creation of the North Sea Entry virtual entry point and its inclusion in the joint Danish/Swedish balancing zone. The establishment of the Joint Market Zone included the conclusion of an Availability Agreement with the upstream network operator providing available capacity in the Baltic Pipe upstream in return for payment by the transmission system operator (both operators being different business areas of Energinet Gastransmission A/S). These payments are socialised since 2022 through a non-transmission service to all network users of the Danish Transmission system.

27 The following figure from the consultation document provides a graphical overview of the Danish system:

[5] https://afg.forsyningstilsynet.dk/h/42c520c9-70bc-4643-93f3-3f63bb755d28/668146fd87ec4fe4bc11e6df1ea1a44e

28



4.3. The proposed RPM

29 The current section assesses the proposed Danish methodology.

30 Denmark applies a revenue cap regime[6]. The TSO's allowed revenues for transmission services are recovered solely through capacity tariffs.

31 The proposed RPM is a postage stamp methodology, applying the same uniform tariffs for both the entry and exit points. The only deviations from these uniform tariffs come as the effect of the application of storage discounts.

32 A 100% discount is proposed for the entry and exit tariffs of storage facilities, the same level as currently applied.

33 As Energinet has received a derogation by DUR from the application of the discounts for renewable and low-carbon gases introduced by Article 18(1) of Regulation (EU) 2024/1789 at production entry points and storages, no such discounts are proposed.

34 Energinet proposes the application of a yearly tariff period coinciding with the calendar year for the reference price and for the Baltic Pipe upstream non-transmission tariff, while for the emergency supply tariff the tariff period coincides with the gas year.

[6] https://www.retsinformation.dk/eli/lta/2024/1220

4.3.1. Cost drivers

35 Energinet proposes the use of forecasted contracted capacity as the single cost driver. The basis of the forecast of the volumes and capacity bookings forecasted for the Danish system was Danish Energy Agency's Analysis Assumptions for Energinet 2024, which was adjusted based in the available 2024 consumption data. The forecasted volumes and the historical load factors of the network points were used for the calculation of the expected annual capacity bookings.

36 The reserve prices of within-year transmission capacity products are calculated taking into account both their duration and the relevant short-term multipliers. As the non-transmission capacity charge does not use multipliers, when calculating the costs of the upstream non-transmission service payable after the booking of within-year capacity, only the duration of the booking is taken into account, the unit cost is not modified by multipliers. This means that when annualising forecasted capacities within-year capacities shall be taken into account with different weight for the purposes of calculating capacity-based transmission tariffs and capacity-based non-transmission tariffs. Energinet, however, uses the same level of forecasted capacities for both calculations and the effects of the use of multipliers are taken into account through the adjustment of the allowed revenue by the substraction of the excess revenue from the sales of short-term products. Mathematically this results in equivalent tariffs in the case of uniform postage stamp tariffs. However, in the case of capacity-weighted distance, this approach can lead to distortions if the share of short-term products is not the same at all network points.

37 Therefore, the Agency recommends Energinet and DUR to recalculate the tariffs and carry out the CAA and CWD calculations again taking into account the effect of the use/non-use of the multipliers during the annualisation of the capacities, using different sets of capacities for the transmission and non-transmission tariffs. As a guidance for carrying out the annualisation, the Agency points to the second edition of non-binding implementation guide for the NC TAR prepared by ENTSOG[7], which provides clear and helpful description of this procedure in it Annex I, on pages 230-232.

4.3.2. Entry-exit split

38 Energinet does not apply an ex-ante entry-exit split. The allocation of revenues to entries and exits is the function of the contracted capacities and the uniform postage stamp tariff. The forecasted level of the entry-exit split for 2027 is 51% - 49%.

4.3.3. Secondary adjustments

39 Energinet does not propose to apply any explicit secondary adjustment. Instead of applying rescaling to compensate for the effect of the 100% storage discount and avoid the under-recovery of the allowed revenue, Energinet excludes the capacities forecasted for the storage points from the tariff calculation. This approach leads to the same tariff and prevents the systemic under-recovery of the allowed revenue due to the application of the discount.

4.4. Cost allocation assessment

40 Energinet carried out a cost allocation assessment (‘CAA’), for the proposed RPM. The CAA calculations were carried out analysing multiple scenarios: the inclusion/exclusion of the costs related to the upstream infrastructure and the reduction/elimination of the storage discount.

41 Energinet also raised a question of interpreting the NC TAR Article 8(1)(c-d) of the NC TAR. These paragraphs set out some of the parameters to be used for CWD calculations taking into

[7] https://www.entsog.eu/sites/default/files/2019-10/entsog_TAR_NC_2017_2nd_ed_update_1910_web.pdf

account the possible relevant flow scenarios between entry points and exit points. According to the interpretation provided by ENTSOG's Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas[8], which is used by Energinet, the same network point's entry and exit capacities cannot be meaningfully combined into a flow scenario, and thus such combinations should be excluded from the calculations and for such flows no capacity bookings shall be forecasted.[9] Nonetheless, Energinet did carry out the CWD calculations and the CAA calculations both with the exclusion of such combinations (referred to as zero flow scenarios) and their inclusion.

42 The following chart from the consultation document shows the results with and without zero flow scenarios, both for the CWD methodology and the uniform postage stamp methodology, and the same for the scenario with the exclusion of upstream costs.

Resultater med anvendelse af metode med nulstrømme				
Comparison Index	CWD	Uniform	CWD (ekskl. opstrøm)	Uniform (ekskl. opstrøm)
2027	1%	12%	4%	18%
2028	1%	10%	3%	16%
2029	3%	6%	1%	13%
2030	7%	2%	3%	8%
2031	8%	1%	4%	7%
Resultater med anvendelse af metode uden nulstrømme				
Comparison index	CWD	Uniform	CWD (ekskl. opstrøm)	Uniform (ekskl. opstrøm)
2027	4%	16%	9%	23%
2028	3%	14%	8%	21%
2029	1%	11%	6%	18%
2030	1%	11%	3%	14%
2031	1%	11%	2%	13%

43 It can be clearly seen from the results that in all scenarios the application of the CWD methodology gives better results for most of the tariff periods. It is also clearly visible that the inclusion of zero flow combinations gives results above the 10% threshold set out in the NC TAR for all years, and with the application of the zero flow approach the CAA value for the uniform tariff are above 10% for the first year. The Agency notes that the results for the postage stamp tariffs have significantly improved since the last consultation in 2021, when the resulting values were between 17-22% with the upstream merger, and 34-42% without it.

4.5. Comparison with the CWD methodology

[8] entsog_TAR_NC_2017_2nd_ed_update_1910_web.pdf

[9] This interpretation is at odds with the Agency's interpretation expressed in Article (34) of the Agency's Report on the Gas Transmission Tariff Structure for the SGT pipeline within Poland. In that report the Agency assessed the Polish TSO's approach in the following way: "The TSO justifies the exclusion of the capacity from the WAD (weighted-average distance) average by referring to the application of a flow scenario, whereby gas cannot be transported from one point to the same point. […] The Agency remarks that the NC TAR already provides a clear rule for this calculation in Article 8(2)(a)(i-ii) of the NC TAR. This rule leads to WAD values that are comparable across points by being based on the same capacity denominator. This is not necessarily the case in the calculation proposed by the TSO as each WAD value is based on a different capacity denominator."

44 Energinet undertook a comparison between the proposed postage stamp methodology and the standard CWD methodology as laid out in Article 8 of the NC TAR and published the resulting tariffs as part of the consultation document. The published CWD tariffs included the tariffs of individual entry and exit interconnection points, and the virtual entry/exit points for storage, the virtual entry points for renewable production and the virtual exit point for the joint exit zone (domestic consumption and exit towards Sweden). The coordinates for physical points were set based on GIS data, while the coordinates for the two of the virtual points (Virtual storage, Joint Exit Zone) were established through a calculation method proposed by ENTSO-G Implementation Document for the NC TAR, by using flow-weighted average distances between the points of the respective clusters. The virtual renewable entry point includes injections both at distribution and transmission level. The Agency remarks that Article 2(1) set the scope of the NC TAR to include only the network points of the transmission system, the tariffication of the injection points of the distribution systems is not under its scope, therefore the injections to and the characteristics of the distribution systems should not affect calculations carried out in order to fulfil obligations of the NC TAR.

45 Multiple variants of the CWD based tariffs were provided, both with the inclusion of the upstream non-transmission capacity tariffs, and with their exclusion[10], and with the inclusion and exclusion of the earlier described zero flow combinations. The calculations were carried out for all years between 2027 and 2031. The following tables from Energinet's consultation document detail the results of the CWD counter-factual calculation for 2027.

Upstream non-transmission service included in calculations

Resulting tariffs 2027

Capacity tariffs [DKK/kWh/h/y]		CWD - With 0-flows	Uniform - With 0-flows	CWD - Without 0-flows	Uniform - Without 0-flows
Entry tariffs					
Nybro	*P1*	45.81	61.60	45.76	61.53
RES	*P2*	35.41	61.60	35.37	61.53
Ellund	*IP1*	40.23	61.60	38.04	61.53
Storage	*S*	0.00	0.00	0.00	0.00
EPII	*BP1*	68.61	61.60	68.53	61.53
Everdrup	*BP2*	0.00	61.60	0.00	61.53
Exit tariffs					
Ellund	*IP1*	45.59	61.60	45.44	61.53
Exit Zone	*D*	49.80	61.60	49.75	61.53
Storage	*S*	0.00	0.00	0.00	0.00
Everdrup	BP2	68.05	61.60	67.98	61.53

[10] The exclusion of the upstream non-transmission service also affects the cost drivers through the exclusion of the upstream infrastructure, which in the case of the CWD calculations results in higher tariffs for some points despite the lower cost base.

Upstream non-transmission service excluded from calculations

Resulting tariffs 2027

Capacity tariffs [DKK/kWh/h/y]		CWD - With 0-flows	Uniform - With 0-flows	CWD - Without 0-flows	Uniform - Without 0-flows
Entry tariffs					
Nybro	*P1*	51.69	51.87	51.62	51.80
RES	*P2*	39.91	51.87	39.86	51.80
Ellund	*IP1*	45.35	51.87	42.87	51.80
Storage	*S*	0.00	0.00	0.00	0.00
EPII	*BP1*	51.69	51.87	51.62	51.80
Everdrup	*BP2*	0.00	51.87	0.00	51.80
Exit tariffs					
Ellund	*IP1*	33.70	51.87	33.58	51.80
Exit Zone	*D*	39.36	51.87	39.31	51.80
Storage	*S*	0.00	0.00	0.00	0.00
Everdrup	BP2	58.35	51.87	58.28	51.80

46 The CWD counter-factual calculation shows that, without the levelling effect of the uniform tariffs, the costs allocated to the Baltic Pipe infrastructure (to the EPII entry points and Everdrup/Faxe exit point) would be significantly higher than the tariffs of the other points, due to the larger distances associated with these points. Using CWD tariffs, exporting gas to Poland would be 50% costlier than exporting gas to Germany. Injecting gas of Norwegian origin from the EP II branch would also be 50% costlier than injecting gas produced at the offshore Danish natural gas field to the system at the Nybro entry point.

47 The comparisons of the resulting tariffs do not necessarily invalidate the choice of a uniform postage stamp RPM as proposed by Energinet, however they clearly show that, due to the geographical characteristics of the highly utilised Baltic Pipe and the possible distortive effects of levelling the tariffs via the postage stamp methodology, there might be merit in considering distance as a cost driver[11], even if this merit is eventually outweighed by the transparency, simplicity and robustness provided by a postage stamp methodology. The consideration of distance as a cost driver is further supported by the lower results of the CAA calculation based on CWD tariffs.

[11] The Agency notes that following the conclusion of the consultation Energinet provided the Agency background information demonstrating that in the Danish system operating costs are not closely related to distance. Energinet also argued that distance can only be regarded as a cost driver at the time when investment decisions are made, during assessing network layout options, but after the infrastructure is established, distance-related investment costs are sunk costs. The Agency notes that this approach is at odds with the approach followed by the NC TAR which explicitly recognises distance as a potential cost driver.

5. Compliance

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

48 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 17 of Regulation (EU) 2024/1789 and lists several 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.

49 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.

50 The proposed reference prices of the Danish natural gas transmission network are supplemented by the proposed capacity based non-transmission tariffs paid for the availability of the EPII branch upstream pipeline. As these non-transmission tariffs are allocated to all network points and capacity bookings in the same way as the reference prices, in practice the reference prices and the tariffs of the upstream non-transmission service act together and their aggregate provides the final capacity-based charge. In paragraph (122) of its 2022 Tariff Report on Denmark the Agency stated that given that the costs of the upstream pipeline are proposed to be socialised to all users, the same requirements that apply to the RPM should also apply to the proposed non-transmission charges. Therefore, this current assessment also includes the upstream non-transmission tariff's compliance with the requirements set out in Article 7.

5.1.1. Transparency

51 **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. In order to further this goal, a simplified tariff model as required by Article 30(2)(b) of the NC TAR shall be published. Instead of a separate tariff model, Energinet linked, as part of its consultation, the forecasting models already published on its website[12]. As the calculation methodology and the assumptions did not change, this provides the same capacity tariff level for the years 2027-2030[13]. The final year of the application period of the proposed RPM, 2031, however, is not included in the published model. The published model also lacked the granularity provided in the consultation document, as it only calculated the aggregate of the transmission tariff and the upstream non-transmission tariff, and it did not make possible the separate calculation of the reference price. The Agency concludes that network users would not be able to reproduce the calculation of reference price through this model, however they will be able to reproduce the calculation of their aggregate capacity-based charges.

52 The Agency recommends supplementing the published tariff model with data for the calculation of 2031 tariff and providing further granularity by calculating separately the reference price and the non-transmission charge.[14] The Agency also recommends applying all the transparency requirements that EU law sets for the transmission system operators to the upstream pipeline with its costs socialised through the non-transmission charge, including the transparency requirement enacted by Article 19(1) of Regulation (EU) 2024/1789 for the methodologies,

[12] Current tariffs

[13] During the preparation of this report Energinet informed ACER that the forecasting model will be updated to include 2031 at the publication of the 2027 tariffs.

[14] The Agency notes that following the conclusion of the consultation, after notifying Energinet of this issue, Energinet updated the forecasting model, increasing its granularity, and fulfilled this requirement.

parameters and values used to determine the allowed or target revenue of transmission system operators. As the upstream infrastructure does not have an allowed or target revenue regulation, but the costs paid by the transmission system operator based on an availability agreement for the use of the upstream infrastructure are regulated by DUR's decision, the transparency requirements should be applied to the underlying costs of the availability agreement, mutatis mutandis.

53 The Agency considers the choice of a postage stamp RPM with uniform tariffs at all entry points and exit points to be a simple solution that makes it easy for all network users to understand the way the allowed revenue is allocated to these points.

54 The Agency therefore concludes that the proposed RPM mostly complies with the criteria for transparency.

5.1.2. Cost-reflectivity

55 **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. While the core transmission system network in Denmark is a relatively simple system, the geographical characteristics of the Baltic Pipe infrastructure and the inclusion of the upstream pipeline in the Joint Market Zone add elements to it that are distinct from the characteristics of the core network.

56 Energinet argues in the consultation document that there is low correlation between the transported distance of the gas and operating costs. Energinet also argues that given that the investment decisions and dimensioning of the Danish system were made in the 1980s, with different usage characteristics, it would not be reasonable to base the tariff on capacity weighted distances. The Agency remarks that as Article 8(b) of the NC TAR sets forecasted contracted capacity and not technical capacity as the input parameter of the CWD methodology, the change in system utilisation is well reflected and network users booking capacities at underutilised network points are not penalised should a capacity-weighted distance as a cost-driver be introduced.

57 The results of the CWD counterfactual analyses show that the use of distance as a cost driver would result in significantly different tariffs for most points, even if the levelling effect of the socialisation of the upstream costs would be kept. Allocating the costs of the upstream network directly to the users of the upstream infrastructure would further increase the gap of the tariffs paid by users of different points.

58 While the benefits of choosing a simpler, more robust and transparent methodology and of socialising the costs of the upstream might easily outweigh the costs of having less cost-reflective tariffs at the individual network points, the above points indicate that the cost-reflectivity of the tariffs is notably decreased by the choice of the uniform postage tariff methodology.

59 The Agency therefore cannot conclude that the proposed postage stamp methodology is fully compliant with the requirement on cost-reflectivity.

5.1.3. Cross-subsidisation and non-discrimination

60 **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). Energinet carried out the CAA in multiple variants, the result of which was above 10% for all uniform postage stamp variants for 2027, and only going below 10% for the subsequent years with zero flows. Since the 2027 value is slightly above the 10% threshold, a detailed justification is required by the NC TAR.

61 The results of the CAA based on CWD tariffs always remain well below the 10% threshold for all variants and in most cases are significantly below the results of the CAA based on uniform postage stamp tariffs.

62 The socialisation of the costs of the upstream pipeline to all points of the network leads to cross-subsidisation between the users of the upstream pipeline and the rest of the users. The criteria set out in Article 7(c) only requires the prevention of such cross-subsidisation that is undue. From this follows that cross-subsidisation might be allowed if it is justified.

63 In chapter 1.5.2 of the Consultation Document Energinet lists several arguments for the socialisation of the costs of the upstream network. According to Energinet's argumentation, the socialisation helps the predictability of the tariffs and the maintenance of the simplicity of the system, helps avoiding tariff-pancaking and decreases the administrative burden of upstream network users. Energinet also argues that the commissioning of Baltic Pipe substantially increased the utilisation of the Danish system, which resulted in a lower unit cost for gas transmission, and consequently stabilised the tariff level. Energinet further argues that the Baltic Pipe contributes significantly to the security of supply of multiple Member States.

64 The Agency in general agrees that the creation of the Joint Market Zone brings several benefits. The Agency however notes that the simplicity of the tariff system, the avoidance of the tariff pancaking and the decrease of the administrative burdens of the upstream users could also have been reached by creating the Joint Market Zone without socialising the upstream costs and instead allocating them directly to the users of the new North Sea Entry point as a non-transmission service, applied only at this point.

65 The Agency therefore suggests that the benefits are quantified. The Agency notes that in the published Consultation Document Energinet does not provide any data on the quantified benefits of the integration of the upstream infrastructure into the transmission tariffication framework.[15] While the positive effect of the increased flows on the tariff levels was previously analysed both before the commissioning of the infrastructure and in the previous tariff decision, as the non-transmission services and their tariffs have to periodically re-consulted as required by Article 27(4) of the NC TAR, the level of the benefits provided and its comparison to the costs incurred should be demonstrated again, based on updated inputs. Lacking such information, the costs and the benefits for the network users and the justification of the socialisation of the upstream costs cannot be fully assessed.[16]

66 Based on the above, the Agency cannot conclude that the proposed RPM is compliant with the requirement on the prevention of undue cross-subsidisation.

67 The Agency recommends Energinet and DUR to carry out, before the final decision on the RPM, modified cost allocation assessments analysing the potential cross-subsidies (excluding the socialisation of the upstream costs) between the users of the Baltic Pipe infrastructure and the users of the rest of the system. The Agency also recommends Energinet and DUR to compare the quantified benefits of the socialisation of the upstream costs with the costs allocated to the non-Baltic Pipe network users, for example by updating the previously published analysis demonstrating that the increased volumes provided by the Baltic Pipe still lead to lowered unit costs to all network users.

68 Regarding the requirement of ensuring non-discrimination[17], the Agency has not identified any form of discrimination related to the proposed capacity tariffs of the RPM. With regard to the non-discriminatory nature of the proposed upstream non-transmission tariff, it is to be noted that the two other upstream pipelines in Denmark were not socialised and paid by transmission network

[15] The Agency notes that during its discussions with Energinet at the review of the 2021 consultation of the then proposed methodology, Energinet submitted to the Agency qualitative assessments of the effects of the increased volumes on the tariffs. No similar updated analysis was published as part of the current consultation. The Agency also notes that during the current consultation Energinet provided information on former DUR decisions regarding the Joint Market Zone.

[16] The Agency notes that during the final phase of the drafting of this report Energinet provided information strongly suggesting that the increased flows from the Baltic Pipe create benefits that outweigh the tariff increases caused by socialising the upstream costs. This information however was not available to all stakeholders during the consultation.

[17] For this analysis, the Agency defines 'discrimination' as 'charging different prices to different network users for identical gas transmission service'.

users. This raises the potential of discrimination between producers. Energinet quotes the decision of DUR on the approval of the Joint Market Zone, in which DUR stated that the existing upstream pipelines and the EP II upstream pipeline cannot be considered alternatives to each other, as they transport gas from different production sites[18]. The Agency remarks that despite the pipelines transport gas from different production sites, this setup still results in some producers having their transport costs partially socialised, while other producers cover the same costs alone. The Agency however acknowledges that the assessment of producer competition is outside the scope of this analysis, and while it recommends DUR to further assess the effects of socialisation of the costs of the EP II upstream pipeline, it concludes that the upstream non-transmission tariff is non-discriminatory, as the same tariff is charged to all network users.

5.1.4. Volume risk

69 **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.

70 More than 80% of the network's forecasted utilisation both regarding gas flows and capacity bookings is expected to involve interconnection exit points. The high share of cross-system use could potentially create a volume risk for captive domestic end-user, were they to unexpectedly decrease. The consumption forecasts by the Danish Energy Agency and the capacity booking forecasts by Energinet, however, project a stable and even growing use of the cross-system infrastructure, which is also backed by significant long-term capacity bookings.

71 The Agency notes that in its 2022 tariff methodology decision[19] DUR reiterated its previous advice to Energinet that Energinet cannot significantly pass on stranded costs and increased risks to captive customers but must instead cover these costs from other sources such as through equity.

72 The Agency concludes that taking into account both DUR's advise and that the overwhelming majority of the Baltic Pipe infrastructure is booked for 15 years, volume risks are unlikely to have a significant effect on final consumers and thus the RPM is compliant with the requirement on volume risk.

5.1.5. Cross-border trade

73 **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade.

74 The requirement on non-distortion of cross-border trade is closely connected to the requirements on cost-reflectivity and non-discrimination, as any cross-subsidies between users of one or all interconnection points and the rest of the system users or any deficiencies of cost-reflectivity has the potential to distort cross-border trade.

75 Therefore, following the conclusions on cost-reflectivity and cross-subsidisation, the Agency cannot conclude that the proposed methodology is fully compliant with the requirement on cross-border trade.

5.2. Are the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) met?

[18] https://afg.forsyningstilsynet.dk/h/42c520c9-70bc-4643-93f3-3f63bb755d28/668146fd87ec4fe4bc11e6df1ea1a44e

[19] Delvis godkendelse af tarifmetode i det danske gastransmissionssystem

76 Article 27(2)(b)(2) of the NC TAR requires the Agency to analyse whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met.

The use of commodity-based transmission tariffs is an exception. Only part of the transmission services revenue may be recovered by commodity-based transmission tariffs. Energinet proposes not to apply commodity-based transmission tariffs.

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

77 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.

78 The consultation document proposes to make use of non-transmission tariffs. The costs of the following services are recovered via non-transmission tariffs to be discussed in sections 5.3.1 and 5.3.2 respectively:

- Emergency supply for protected and non-protected customers
- The capacity availability of the EP II branch pipeline.

5.3.1. Emergency supply tariff

79 Energinet proposes the continued application of the emergency supply tariff methodology approved by DUR on 12 May 2022 and the ex-post emergency supply tariff methodology for non-protected customers approved on 24 September 2024. The sole change in the proposed methodologies is the change of the cost distribution between protected and non-protected customers from 85/15 to 75/25. This change is motivated by the larger share of gas consumption by non-protected customers due to the phase out of gas in private households.

80 The Agency carried out the analysis of the emergency supply tariff methodology in 2022 as part of the review of the RPM. The Agency also carried out separate detailed analysis of the emergency supply tariff methodology for non-protected customers in 2022 and 2024. As the methodologies did not change in any substantial way since these reviews were carried out, besides the change of the cost distribution reflecting the change of consumption, the Agency does not need to repeat its detailed analysis on the compliance of the proposed tariffs with the requirements set out in Article 4(4) of the NC TAR, as the recommendations and conclusions formulated in these reports mainly stand.

81 The Agency, in general, considers the allocation of the costs of the emergency supply to the beneficiaries of the service a good approach. The Agency acknowledges that given that the beneficiaries of the emergency supply are final consumers connected to the distribution network, the payment of the tariff cannot be meaningfully allocated to the domestic exit points of the transmission network.

82 The Agency also considers the adherence to the criteria set out in Article 4(4) of the NC TAR and the inclusion of this service in the consultation according to Article 26 of the NC TAR a good practice, as it improves transparency and reduces any potential market distortion and recommends the continued application of the criteria set out in Article 4(4) of the NC TAR as these criteria provide safeguards both for the payers of these tariffs and for the internal EU energy market.

83 The Agency, however, points it out that the classification of these services would not fall under Article 3(13) of the NC TAR as non-transmission tariffs are charges payable by network users for non-transmission services, instead of end-users. The emergency supply tariffs are invoiced through the distribution system operator to the end consumers. The Agency equally notes that while the legal mean is not fully consistent with the NC TAR, the approach taken by DUR does not lead to economic damage in the internal market since the charges are allocated to domestic points and not to IPs.

84 Therefore, the Agency recommends on the one hand that DUR, in its final decision, reassesses this service outside the framework of the NC TAR, and ensures that the costs, revenues, and tariffs related to these services do not interfere with the costs, allowed revenues, and tariffs determined in line with the provisions of the NC TAR. Nonetheless, as this service is provided by the TSO, the Agency recommends on the other hand to Energinet and DUR to continue applying the current good practices regarding the emergency supply service's transparency and consult stakeholders even after the service has been re-evaluated. The Agency also recalls that in its implementation monitoring report[20] it recommended to closely monitor the levies and charges collected by TSOs.

5.3.2. Upstream non-transmission service

85 In the context of the development of the Baltic Pipe project, connecting Norwegian gas production with Denmark and Poland, Energinet initiated the creation of a Joint Market Zone. Part of the Baltic Pipe project consisted of connecting the Europipe II upstream pipeline, which transports gas between the Kårstø gas processing plant in Norway, to Germany, with the Danish transmission system. This connection is carried out by a new pipeline referred to as EP II Branch. Under the Danish regulatory regime this pipeline is categorised as an upstream infrastructure. Energinet's proposal aimed to closely integrate the upstream infrastructure with the Danish transmission system[21]. DUR approved the creation of a Joint Market Zone on 14 February 2022.

86 The following figure from DUR's 2022 decision on the establishment of the Joint Market Zone details the structure of the EP II Branch upstream pipeline.

FIGURE 3 | **SKETCH OF THE EP II BRANCH PIPELINE**

Source: Energinet

87 The approved Joint Market Zone consisted of the following:

- The establishment of a new North Sea Entry point in the transmission system, which allows the booking of the entry capacities of the upstream infrastructure under the same rules as any other non-IP transmission entry point.

[20] In its 2020 report on the application of reference price methodologies in Member States the Agency analysed the use of charges collected by the TSOs covering costs unrelated to transmission activities. The Agency reiterates its recommendations set out in paragraph (20) of this report that such charges should be closely supervised by the NRA and be subject to transparency and consultation requirements.

https://www.acer.europa.eu/sites/default/files/documents/Publications/The%20internal%20gas%20market%20in%20Europe_The%20role%20of%20transmission%20tariffs.pdf

[21] Both the transmission system operator and the upstream belong to Energinet.

- The integration of the upstream infrastructure into the Danish entry-exit system and balancing regime.
- The conclusion of an Availability Agreement. Based on the Availability Agreement, the transmission system operator operates the upstream infrastructure and sells its capacities, and in exchange pays the costs of the upstream infrastructure to the upstream entity. The pricing would only include necessary costs for efficient operation and the necessary return on capital. The duration of the Availability Agreement is the same as the duration of the long-term contracts (15 years). The rate of return for equity was changed with DUR's 2024 decision on the Joint Market Zone[22] and DUR's 2024 decision on the rate of return of equity for 2025-2026, which allowed for a risk-adjusted return on capital from 1 January 2025[23].
- The costs associated with the upstream activity would be classified as costs of a non-transmission service.

88 At the time of the conclusion of the Availability Agreement of the upstream pipeline in 2021, the upstream and the transmission tasks of Energinet were planned to be carried out by two separate subsidiary companies: Energinet Gasopstrøm and Energinet Gastransmission. To increase synergies, however, instead of establishing an upstream subsidiary, Energinet decided to put the two units in the same company, Energinet Gastransmission A/S, with separate regulatory accounts.[24] The 2021 Availability Agreement was revised and submitted to DUR in November 2022 and August 2023 to reflect Energinet's new organizational structure and DUR's requirements to the Availability Agreement in DUR's 2022-decision on the joint market zone.[25]

89 The Agency remarks that the conclusion of the Availability Agreement practically created a revenue guarantee for the upstream unit of Energinet, turning a naturally risk-bearing upstream investment into a risk-free asset. Namely, the Availability Agreement states that the cost of the investment and the operation of the upstream pipeline plus a return on the capital shall be paid by the TSO to the upstream entity. Point 4.1 of Annex 2 of the 2021 Availability Agreement[26] further clarifies that the payment for the full capacity of the upstream infrastructure should be paid regardless of the actual utilisation of the capacity. This means that the upstream entity has a stronger revenue guarantee than the TSO, which has to bear the volume risk of temporary under- and over-recovery of the allowed revenue (even if they are eventually reconciled through the regulatory account). This stronger revenue guarantee is granted despite upstream infrastructures have a more lenient regulatory regime in the EU regulatory framework as compared to transmission system operators. Consequently, the Agency recommends applying the same level of regulatory scrutiny, oversight and transparency as it is required for transmission networks to those upstream assets. While the scope of EU network codes does not include upstream infrastructure as such, as the costs of the Baltic Pipe upstream pipeline are recovered from the transmission network's users the Agency recommends voluntarily extending the application of the provisions of the EU network codes to the EP II upstream pipeline to the extent possible and reasonable.

90 The Agency remarks that Article 17(1) of Regulation (EU) 2024/1789 requires transmission network access tariffs to reflect the actual costs incurred, as long as such costs correspond to

[22] FSTS afgørelse om godkendelse af justering af den fælles markedszone af 28. juni 2024. The decision is referred back to DUR for an amended decision pursuant to decision of 4 December 2025 by the Danish Energy Appeal Board.

[23] Forsyningstilsynet Afgørelse af 19. december 2024 om forrentningssats for forrentningen af egenkapitalen for 2025-2026 for transmissionssystemejer

[24] https://forsyningstilsynet.dk/Media/638382526806203984/Bilag%203.%20Consultation%20document%20Submission%20of%20application%20for%20amendtment%20of%20DUR%20decision.pdf

[25] Afgørelse om indtægtsramme for GAS-TO 2023

[26] https://forsyningstilsynet.dk/Media/638225054339086863/bilag-til-faelles-markedszone-1.pdf (Point 4.1. is point 4 in the 2023 Availability Agreement.)

those of an efficient and structurally comparable network operator. The Baltic Pipe project was approved by the Danish Minister of Climate, Energy and Utilities, and in 2017 DUR (formerly named Energitilsynet) performed an assessment of the profitability of the project when determining the level of the applicable f-factor.[27] The 2022 approval decision of the Joint Market Zone also stated the principle that the price paid by transmission network users for the upstream infrastructure should only cover costs for efficient operation and necessary return (modified from 2025 to risk-adjusted return) on capital. While the rate of return is regulated, no ex-post assessment of the actual construction costs was carried out by DUR.

91 Using a non-transmission tariff to cover the costs of a pipeline that can be considered as upstream and that is operated by the transmission system operator is not a common practice, as the NC TAR does not foresee the allocation of the costs of upstream infrastructure to the users of the transmission system. It is however not a completely unique setup that is only applied by Energinet. The Irish regulatory authority, CRU also proposed a non-transmission tariff for the 150 km long Corrib Linkline pipeline between the Corrib gas field production facility and the main transmission network. As opposed to Energinet, however, CRU proposed to charge the tariff only to the users of the affected pipeline and did not socialise its cost. In its 2019 Tariff Report on Ireland[28] the Agency considered this approach to be compliant with the NC TAR.

92 The key difference between the Irish and the Danish approach is the socialisation of the tariffs. As assessed in Section 5.1.3, lacking an up-to-date quantitative analysis of the benefits the establishment of the Joint Market Zone creates for those network users who do not directly utilise this infrastructure, it cannot be concluded whether the socialisation of the upstream costs can be supported by its benefits. Therefore, the Agency cannot conclude whether the proposed non-transmission service complies with the criteria set out in Article 4(4) of the NC TAR.

93 The Agency recommends Energinet and DUR to carry out, before taking the final decision in line with Article 27(4), a quantitative analysis identifying the beneficiaries of the non-transmission service and quantifying the benefits they receive are balanced out with the proposed costs of the service. The Agency also recommends carrying out the analysis regularly, before each future periodic decision on the tariff methodology, to ensure that the forecasted benefits still outweigh the costs incurred.

5.4. Other tariff issues related to the consultation document

5.4.1. Interruptible discounts

94 Chapter 1.4 of the consultation document detailed the proposal submitted by Energinet on the level of the discounts for interruptible capacity products based on Article 16 of the NC TAR. Energinet proposes the application of an ex-ante discount for interruptible capacities set at 5% at all relevant points.

95 The method Energinet applies for the calculation of the discounts is not in line with the provisions of NC TAR. First of all, Energinet states that it follows the principle of setting the discount levels at intervals of 5%. The formula provided by Article 16(2-3) of the NC TAR does not foresee such intervals. Second, since no interruptible capacity was booked at the Ellund IP since 2013, and no interruptions were recorded at the Faxe IP and the North Sea Entry points, Energinet admittedly has no relevant empirical or historical data supporting the calculations of the probability of interruptions[29]. The two above-detailed facts, however, raise concerns about the proposed discounts.

[27] https://afg.forsyningstilsynet.dk/h/42c520c9-70bc-4643-93f3-3f63bb755d28/gasparametreog20171128?showExact=true

[28] Agency Report - analysis of the consultation document for Ireland.pdf

[29] During the discussions with Energinet and DUR Energinet stated that the booking of certain points increased in 2025 which helps improving the quality of the data to be used for the calculations.

96 As an alternative to the ex-ante discount, the NC TAR allows the application of an ex-post compensation, to be paid only in cases of actual interruptions. Article 16(4) of the NC TAR allows the application of the ex-post discount at interconnection points where there was no interruption in the preceding gas year. This ex-post discount can be easily applied even in cases where there is no historical data to support the calculation of the probability of interruptions. The application of the ex-post discount, however, might create a risk of excessive compensations for the TSO if the use of the interruptible capacities and thus the number of interruptions suddenly increases.

97 The Agency recommends that Energinet and DUR either consider the application of the ex-post discount, or, if the application of the ex-ante discount is sustained, to carry out the calculations following closely the formula set out in Article 16(2)-(3), without the application of the 5% intervals and use estimations, based on historical data and forecasts, more closely reflecting the actual probability of interruptions.

5.4.2. Charges outside the consultation document

98 The NC TAR sets out rules for determining the tariffs for the regulated services provided by the TSOs, with the exception of the services regulated by the NC BAL. The services under the scope of the NC TAR may fall under the categories of transmission and non-transmissions services. The NC TAR does not contain rules for those revenues of the TSO that are not collected in exchange for providing regulated services, such as penalties, damages and compensations for breaching the contractual terms. Neither does the NC TAR contain rules and definitions that would help clearly differentiating between tariffs paid for services and penalties paid for breaching the rules. Theoretically, it might be argued that a penalty for breaking a rule (e.g. a surcharge for a late payment) is essentially the same as a higher tariff for a more lenient service (e.g. a service with a longer payment deadline). For example, in the case of natural gas transmission, it might be hard to differentiate between a service providing gas quality improvement for a fee at entry points and between a penalty paid for injecting gas outside the accepted standards to the system.

99 Energinet has several charges set outside the framework of the NC TAR and the NC BAL published in its Rules for Gas Transport[30]. Such charges are for example the interruptible over-nomination charge and different off-spec fees. Some of these charges might have potential distortive effects on the short-term markets (e.g. the over-nomination charge which in case of short duration over-nominations results in far higher transmission unit costs for the affected periods than the level of the within-day capacity tariff) or potentially might be categorised as non-transmission services (e.g. the off-spec fees which associate a fee with the injection of gas not compliant with quality standards). The Agency stresses that penalties and surcharges should not be used as a way to circumvent the stricter rules on transmission or non-transmission services. Nor should they be used so excessively that their application risks essentially distorting the market, despite the network tariffs themselves being compliant with the rules of the NC TAR.

100 In paragraph (58) of its 2018 Tariff Report on Denmark the Agency recommended the reclassification of the off-spec fee under the framework of the NC TAR. Based on the discussions with DUR during the preparation of this report, it is the Agency's understanding that a new methodology was introduced by Energinet on the calculation of the off-spec fee and that the workings of the fee are closer to that of a damage payment for the harm caused by the injection. The Agency recommends DUR that before the final decision according to Article 27 of the NC TAR, it assesses the off-spec fee to decide whether it fits the criteria of non-transmission services set out in Article 4(4) of NC TAR. Lacking a formal definition of what can be considered as a service, such an assessment should be based on a common-sense approach and could take into account the frequency of the activity, its financial share of the total revenues, the share of network users affected, whether the fee has an actual deterrent effect and intent, etc. As the rules for non-transmission services provide a higher standard of protection both for network users and for the functioning of the internal gas market, the Agency recommends that in cases of doubt, NRAs and

[30] https://energinet.dk/media/eccbwpig/rules-for-gas-transport-version-20_final.pdf

TSOs should err on the side of categorising it as non-transmission service paid with a regulated tariff rather than as a breach of contract charged with a penalty.

Annex 1: Legal framework

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.

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.

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.

Article 17 of Regulation (EU) 2024/1789 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 78(7) of Directive (EU) 2024/1788, as well as tariffs published pursuant to Article 31(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. Tariffs, or the methodologies used to calculate them, shall be applied in a non-discriminatory manner.

   Tariffs may also be determined through market-based arrangements, such as auctions, provided that such arrangements and the revenue arising therefrom are approved by the regulatory authority.

   Tariffs, or the methodologies used to calculate them, shall facilitate efficient natural 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 shall be 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 regulatory authorities. Regulatory authorities shall ensure that network tariffs 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, notwithstanding Article 78(7) of Directive (EU) 2024/1788, differences in tariff structures would hamper trade across transmission systems, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles.

3. Until 31 December 2025, the regulatory authority may apply a discount of up to 100 % to capacity-based transmission and distribution tariffs at entry points from, and exit points to, underground natural gas storage facilities and at entry points from LNG facilities, unless and to the extent that such a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.

   From 1 January 2026, the regulatory authority may apply a discount of up to 100 % to capacity-based transmission and distribution tariffs at entry points from, and exit points to, underground natural gas storage facilities and at entry points from LNG facilities for the purpose of increasing security of supply. The regulatory authority shall re-examine that tariff discount and its contribution to the security of supply during every regulatory period, in the framework of the periodic consultation carried out pursuant to the network code adopted pursuant to Article 71(2), first subparagraph, point (d).

4. Regulatory authorities may merge adjacent entry-exit systems with a view to enabling full or partial regional integration where tariffs may be abolished at the interconnection points between the entry-exit systems concerned. Following the public consultations conducted by the regulatory authorities or by the transmission system operators, the regulatory authorities may approve a common tariff and an effective compensation mechanism between transmission system operators for the redistribution of costs arising from the abolition of interconnection points.

5. Member States with more than one interconnected entry-exit system, or more than one network operator within one entry-exit system, may implement a uniform network tariff with the aim of creating a level playing field for network users, provided that a network plan has been approved and a compensation mechanism between the network operators is implemented.

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.

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 non transmission 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	European Union 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
ENERGINET	Energinet Gastransmission A/S
DUR	Forsyningstilsynet - Danish Utility Regulator