



European Union Agency for the Cooperation
of Energy Regulators

Agency Report

Analysis of the Consultation Document on the Gas Transmission Tariff Structure for Czech Republic

NRA: Energetický regulační úřad
TSO: NET4GAS

19 April 2024

Contents

1.	ACER conclusion.....	2
2.	Introduction.....	5
3.	Completeness.....	5
3.1	Has all the information referred to in Article 26(1) been published?	5
4.	Assessment of the proposed reference price methodology	7
4.1	Proposed tariff structure: objectives and design	7
4.2	Changes in network utilisation	8
4.3	Proposed capacity weighted distance RPM.....	8
4.3.1	Contracted capacity forecast.....	9
4.3.2	Entry-exit split.....	9
4.4	Benchmark adjustment at exit IPs	9
4.5	Price cap regulation and risk premium.....	10
4.5.1	Scope of application of the proposed price cap	10
4.5.2	Previously applied risk premium	11
4.5.3	Proposed risk premium	11
4.6	Revenue reconciliation.....	12
4.7	Discounts to points to and from storage facilities.....	13
4.8	Comparison with the CWD methodology	13
4.9	Cost allocation assessment	14
5.	Compliance.....	14
5.1	Does the RPM comply with the requirements set out in Article 7?	14
5.1.1	Transparency	14
5.1.2	Cost-reflectivity.....	15
5.1.3	Cross-subsidisation and non-discrimination.....	16
5.1.4	Volume risk.....	16
5.1.5	Cross-border trade	17
5.2	Are the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) met?	17
	Annex 1: Legal framework	19
	Annex 2: List of abbreviations	23

1. ACER conclusion

- (1) The national regulatory agency (NRA), Energetický regulační úřad (ERU), has consulted the tariff structure to be applied in the Czech transmission network in 2025. The proposed reference price methodology (RPM) mainly aims at addressing the challenge of setting tariffs in a context of lower and more volatile gas flows crossing the Czech network.
- (2) The NRA proposes to apply a capacity weighted distance (CWD) methodology to the Czech transmission network. The methodology is complemented by a benchmarking adjustment applied at the exit interconnection points (IPs) of Brandov, Lanžhot, Waidhaus and Český Těšínbran, which lowers the proposed reference prices at these points to ensure the competitiveness of the Czech network compared to alternative transport routes across the EU. ERU further proposes an entry-exit split of 9-91% and 100% discount at entry points from and exit points from storage facilities.
- (3) Import routes have significantly changed as a result of the 2022 energy crisis and the ongoing war in Ukraine, which have affected the Czech network. The previously high levels of contracted capacity for cross-system use have significantly decreased from 1,184 GWh/d in 2022, to a forecasted capacity of 50 GWh/d in 2024, with some months during 2024 registering zero cross-system flows. This has resulted in lower levels of revenue recovered from IPs.
- (4) In the consultation document, ERU proposes a contracted capacity forecast of 190 GWh/d for the year 2025. The current utilisation of the network for cross-system use mainly depends on the transit contract through Ukraine to import Russian gas that expires by the end of the 2024. The forecast established by ERU for 2025 assumes that, in the event of contract expiration, the utilisation of the Czech network could increase based on current utilisation levels.
- (5) Compared to most tariff consultations examined so far by the Agency, the consultation carried out by ERU is exceptional. The proposed tariff structure aims at mitigating the risks associated with the volatile cross-system flows while preventing that a significant part of these costs are allocated to domestic exit points. The NRA proposes several instruments to address this volume risk which are designed together with the proposed CWD methodology and benchmarking adjustment.
- (6) First, ERU proposes to apply a price cap regime to the revenue related to the cross-system use of the network. As a result, the TSO bears a part of the volume risk should the revenue recovered be lower than the revenue forecasted for the cross-system use of the network. Should the cross-system revenue be above the forecast, which is set to 190 GWh/d, the TSO is entitled to keep a share of this additional revenue. The Agency notes that the consultation document does not detail the share of revenue that the TSO is entitled to keep. The revenue that is subject to the price cap amounts to CZK 2.4 billion (EUR 95 million¹) while the remaining revenue that falls within the revenue cap of the TSO is CZK 4.3 billion (EUR 170 million)².

¹ The conversion to EUR is based on the ECB exchange rate of: EUR 1 = CZK 25.21. Conversion rate of 16 April 2024 ([link](#))

² The NRA establishes a risk premium to compensate the TSO for the volume risk assumed, however the proposed tariff structure does not lead to the allocation of these costs to users of the network. Based on this outcome, the Agency does not assess the compliance of this element of the proposed tariff structure as it has no impact on the proposed reference prices.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

- (7) Second, ERU proposes a limit to the revenue that can be reconciled at domestic exit points and exit points to storage facilities. This mechanism is intended to prevent domestic users bearing the costs of potential under-recoveries related to the cross-system use of the network (i.e. contracted capacity dropping below 190 GWh/d for the cross-system use of the network). The Agency notes that the consultation document does not provide the details of this mechanism.
- (8) As a result of the proposed tariff structure, and considering the decrease in cross-system flows, tariffs at domestic exit points increase by 100%. The revenue recovered at these points increases from CZK 2 bn (EUR 79 m) in 2023 to CZK 4.3 bn (EUR 170 m) in 2025.
- (9) To conclude, the NRA proposes to use the proposed RPM, in combination with other instruments, to allocate a part of this risk to the TSO. The main challenge faced by the NRA is therefore the allocation of risks between end-consumers and the TSO.
- (10) As part of this tariff structure, the NRA proposes a benchmarking adjustment to incentivise the contracting of capacity to transport gas across the network. This allows reference prices to be competitive compared to alternative EU transport routes. The cost of this incentive is borne by the TSO as reference prices are not rescaled after the application of the benchmarking adjustment.
- (11) The Agency notes that the analysis presented in this report focuses on the tariff structure proposed for the specific objective of managing volume risk. The Agency notes that it cannot quantify the risks associated with the Ukrainian transit contracts and their renewal beyond 2024 in addition to the appropriateness of the forecasted contracted capacity associated with the cross-system use of the network. In addition, the Agency notes that the consultation document does not include the details of the revenue sharing and the reconciliation mechanisms. As a result, the Agency can only assess the compliance of the proposed tariff structure without assessing the detailed values of the parameters proposed in the methodology.
- (12) 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) with the exception of the cost allocation assessment (CAA) calculated taking into account the benchmarking adjustment and the details of the revenue sharing and the reconciliation mechanisms.
 - The RPM is compliant with the requirements of transparency, preventing undue cross-subsidisation, non-discrimination and non-distortion of cross-border trade. Regarding the requirements on cost reflectivity and volume risk, the main features of the proposed tariff structure are compliant with the requirement on cost reflectivity, however, the Agency cannot assess whether the values assigned to the parameters of the methodology comply with this requirement (i.e. contracted capacity forecast, probability assigned to volume risk related to cross-system flows, assets that are subject to reconciliation and revenue-sharing mechanism).
 - The proposed commodity-based charge is compliant with Article 4(3) of the NC TAR although it does not meet all the requirements in Article 4(3) of the NC TAR³.

³ The Agency notes that under the current context of uncertain cross-system flows, the proposed flow-based charge cannot meet all the requirements in the NC TAR simultaneously. In particular, there is a trade-off between setting

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

- (13) The Agency provides the following recommendations to ERU when publishing its motivated decision pursuant to Article 27(4) of the NC TAR:
- (14) First, ensure the consistency and provide transparency on the different elements that are part of the proposed tariff structure, including the price cap regime, the risk premium, the application of the benchmarking adjustment and the limit set to the reconciliation of the under- and over- recoveries. ERU should regularly evaluate any risk mitigation instruments that is made part of the tariff structure in terms of its effectiveness and proportionality. These instruments should comply with the NC TAR rules applicable to the RPM.
- (15) Second, provide the information on the risk premium that the TSO collected in 2021 and 2022. ERU should provide this information as part of the motivated decision or as part of the proposed consultation to be carried out by the end of 2024 or early 2025. The information on the previously applied risk premium is relevant to assess the proposed tariff structure.
- (16) Third, clarify the costs, which are related to the cross-system use of the network, that can be reconciled to end-users of the network.
- (17) Fifth, publish the details of the sharing mechanism that is applicable to the revenue associated with the cross-system use of the network above the contracted capacity forecast of 190 GWh/d.
- (18) Sixth, publish the calculation of the CAA in the absence of the proposed benchmarking adjustment and based on the application of this adjustment.
- (19) Finally, monitor the differences between the flow-based charge applicable to domestic exit points and to IP exits. The NRA should revise the proposed approach in the next tariff consultation to be carried out by the end of 2024.

the same flow-based charge at all points of the network and setting a flow-based charge that is cost-reflective. The NRA proposes to base the flow-based charge on the average yearly forecasted gas price for 2025 (i.e. for domestic exit points) and on the daily spot price for gas (i.e. for IP exits).

2. Introduction

- (20) Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas (NC TAR).
- (21) 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 the Czech Republic.
- (22) On 18 December 2023, ERU, forwarded the consultation documents to the Agency. The consultation was launched on 18 December 2023 and remained open until 19 February 2024. On 15 March 2024, the 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, ERU shall take and publish a motivated decision on all the items set out in Article 26(1).

Reading guide

- (23) 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. Section 5 focusses 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. This document contains two annexes, respectively the legal framework and a list of abbreviations.

3. Completeness

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

- (24) 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.
- (25) 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 remarks that the consultation document has been published in English.
- (26) Overall, the information in Article 26(1) of the NC TAR has been properly published with the exception elements listed in Table 1 below.

Table 1 Checklist of the information to be included as part of the consultation, pursuant to Article 26(1) of the NC TAR.

Article	Information	Published: Y/N/NA
26(1)(a)	the description of the proposed reference price methodology	Partially. The consultation document does not provide the details of the

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

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

		revenue sharing mechanism and the reconciliation mechanism.
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
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	Partially. The consultation does not provide the CAA calculation considering the application of the benchmarking adjustment.
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
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 	Yes
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: <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 	Not applicable
26(1)(d)	the indicative information set out in Article 30(2);	Yes
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: <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 	Not applicable for the year 2025.

- | | |
|--|--|
| <ul style="list-style-type: none">the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed | |
|--|--|

4. Assessment of the proposed reference price methodology

- (27) The following section assesses the proposed tariff structure taking into account the proposed RPM, the benchmarking adjustment, the application of a price cap regime to the revenue associated with the cross-system use of the network, the comparison with the CWD methodology and the CAA.

4.1 Proposed tariff structure: objectives and design

- (28) The tariff structure discussed in the consultation document is proposed in a time when flows across the Czech network have decreased significantly as a result of the 2022 energy crisis and the ongoing war in Ukraine. The proposed methodology is intended to manage the uncertainty (i.e. volume risk) related to the cross-system utilisation of the Czech network while ensuring the competitiveness of the proposed reference prices compared to alternative transport routes. To meet these aims, the NRA proposes a number of instruments.
- (29) First, ERU proposes a CWD methodology. This RPM is used to allocate the regulated revenue of the RPM to all points of the network and, therefore, determines the revenue allocated to the cross-system and intra-system use of the network. The former group of points is subject to a price cap regime, as described in the next paragraph, while the latter is subject to a revenue cap regime. The difference between the two approaches is that, under the proposed price cap regime, the volume risk is borne by the TSO, so the revenue is not subject to reconciliation. Under the revenue cap regime, the recovered revenue is subject to the reconciliation of under- or over- recoveries. The proposed RPM is complemented by the application of a benchmarking adjustment to ensure the competitiveness of cross-border IPs compared to alternative transmission routes.
- (30) Second, the tariff structure foresees the application of a price cap regime to the capacity dedicated to cross-system use at entry and exit points of the network. This measure is intended to transfer the volume risk associated with the cross-system use of the network to the TSO. The revenue subject to the price cap regime is defined based on the forecasted capacity and the reference prices applicable to the cross-system use⁵. As the latter includes a benchmarking adjustment, reference prices at exit IPs are determined based on the tariffs applicable in neighbouring networks. In return for bearing this risk, the NRA establishes a risk premium described in section 4.5.3 of this report.
- (31) Third, the tariff structure foresees a mechanism to limit the reconciliation of any non-recovered revenue associated with the cross-system use of the network to domestic exit points. The measure also intends to ensure that the TSO can continue the operation of the network while limiting the return made on the revenue recovered from domestic exit points. This mechanism is mentioned in

⁵ In practice, it is the forecasted contracted capacity that determines the revenue subject to the price cap regime.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

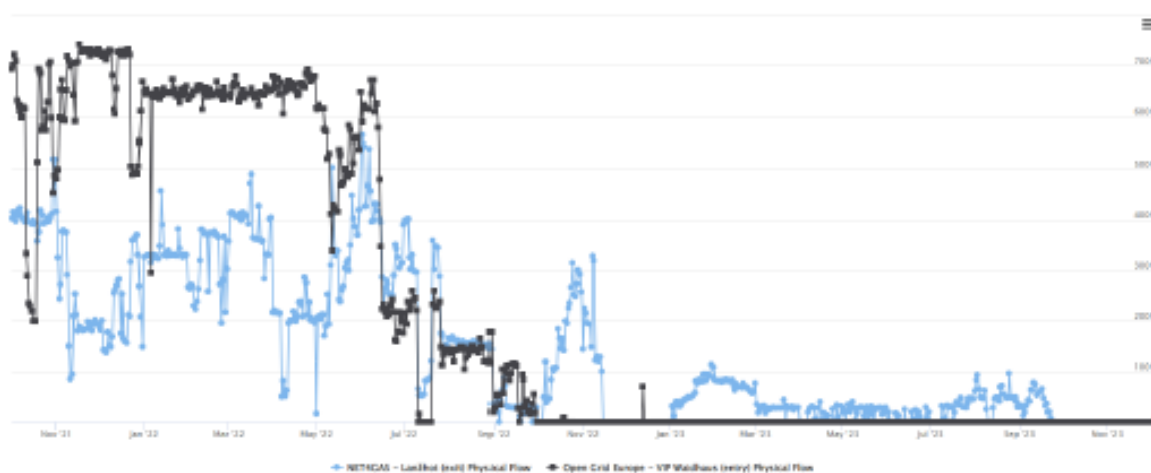
the consultation document, however it has not been fully designed at the time of publishing this report.

- (32) As a result of the proposed tariff structure, cross-system flows are not negatively impacted but rather incentivized by the decrease in reference prices resulting from the proposed benchmarking adjustment.

4.2 Changes in network utilisation

- (33) The consultation document describes the decrease in flows in the Czech transmission network. The decrease in network flows at the Lanžhot and Waidhaus IPs is represented in Figure 1 below.

Figure 1: Daily physical flows at the Lanžhot and Waidhaus exit IPs from 1 October 2021 to 6 December 2023 (kWh/d).



- (34) The decrease in flows is associated with two capacity contracts which are currently subject to arbitration:
- The first contract is related to the Gazelle pipeline. This infrastructure was completely exempted. The exemption is valid for the same time as the contract, namely 2032. ERU communicated to the Agency that the TSO bears the risk of the capacity not being utilised or paid for. As a result, the costs associated with this contract are not allocated using the RPM.
 - The second contract (series of yearly ones until 2038) is related to the construction of a new pipeline within the Czech Republic of 160km, a compressor station and additional infrastructure for the Brandov and Lanžhot IPs. The contract was signed in 2017. The capacity was booked as of 2020. The costs are allocated using the proposed RPM. No revenue from capacity bookings is expected to be collected.

4.3 Proposed capacity weighted distance RPM

- (35) ERU proposes to apply a CWD methodology and an entry-exit split of 9-91% that is applied to all points of the network. In addition, ERU proposes to apply discounts to entry points from and exit points to storage of 100%. Finally, ERU proposes to apply a benchmarking adjustment at the exit IPs of Brandov, Lanžhot, Waidhaus and Český Těšín.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

4.3.1 Contracted capacity forecast

- (36) The proposed methodology is based on the cost drivers of forecasted contracted capacity and distance. Based on these input parameters, the methodology serves to establish the revenue that falls under the price cap regime associated with the cross-system use of the network. Cross-border exit points are subject to a benchmarking adjustment; the amount of revenue that is allocated to cross-border points result from the forecast applied as an input parameter to the RPM.
- (37) ERU assumes a contracted capacity forecast of 190 GWh/day at entry points for flows crossing the network. The forecasted flows crossing the network for 2024 amount to 50 GW/day and is related to the transport of gas from Germany to Slovakia. These flows could potentially increase in the upcoming period following the expiration of the transit contract through Ukraine by the end of 2024. This is summarised in Table 2 below.
- (38) The 190 GWh/d forecast for 2025 is based on the assumption that, in the absence of gas imports via Ukraine, the Czech network could potentially transport gas to East Europe to substitute the previously imported Russian volumes. Table 2 below summarises the proposed contracted capacity forecast at IPs.

Table 2 Forecasted contracted capacity at IPs (MWh/day/year).

Forecasted contracted capacity at cross-border points [MWh/day/year]	Entry cross-border points	Exit cross-border points
VIP Brandov	426,566	0
VIP Lanžhot	0	185,200
VIP Waidhaus	0	0
Český Těšín	0	4,800

4.3.2 Entry-exit split

- (39) The NRA proposes an entry-exit split of 9-91%, which aims at ensuring that entry tariffs to the network do not undergo a significant change.
- (40) The Agency notes that the entry-exit split has a marginal impact on the revenue that falls within the scope of the price cap regime. This is summarised in Table 3 below based on data provided by ERU to the Agency:

Table 3: Impact of the entry-exit split over the distribution of revenue between the proposed revenue cap and price cap.

	Entry-exit split 9/91%:	Entry-exit splitt 50/50%
Revenue cap	CZK 4,264 m (EUR 169.14 m)	CZK 3,982 m (EUR 157.95 m)
Price cap	CZK 2,429 m (EUR 96.35 m)	CZK 2,711 m (EUR 107.54 m)

4.4 Benchmark adjustment at exit IPs

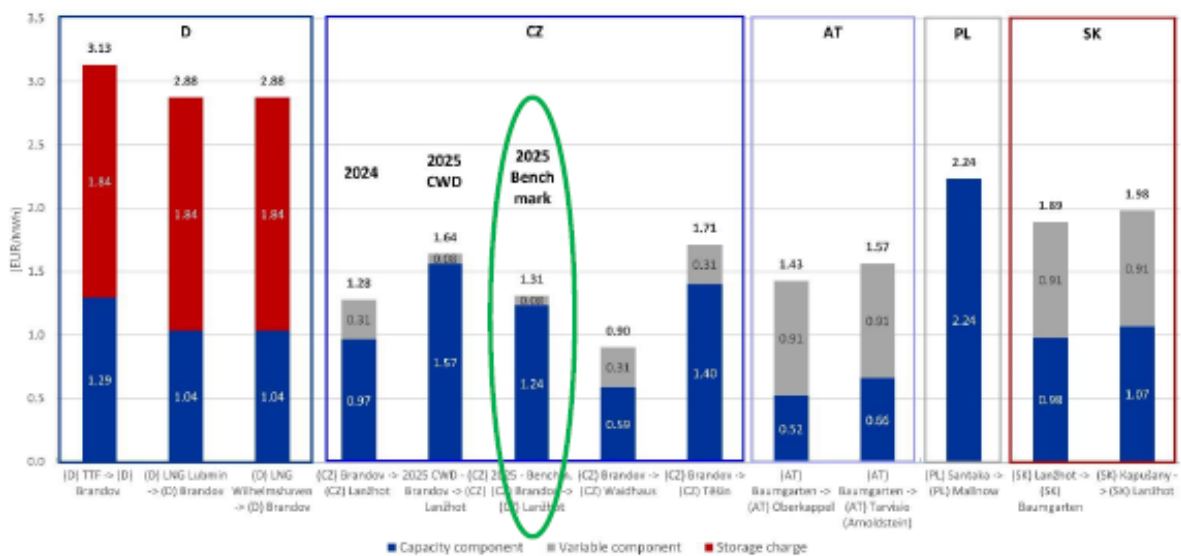
- (41) ERU proposes to benchmark tariffs at the IP exits of Brandov, Lanžhot and Waidhaus. The purpose of the benchmark is to ensure the competitiveness of the network compared to alternative transport

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

routes. ERU expects that cross-system flows will mainly be transported across the Brandov-Lanžhot route (97% of the total cross-system flows).

- (42) In the consultation document, ERU assesses the costs applicable for competing routes. The tariffs applicable for the Brandov-Lanžhot routes during 2024 is 1.28 EUR/MWh. The reference price levels for the route, resulting from the proposed RPM, are 1.64 EUR/MWh, which is higher than the currently applicable tariffs. ERU proposes to calculate the applicable benchmark adjustment after the consultation as both, Austria and Slovakia are currently consulting on the reference price methodology. Figure 2 below provides a comparison of the transmission tariffs and the variable components across competing routes.

Figure 2: Relevant routes considered to determine the tariff levels based for the application of a benchmarking adjustment. Tariffs include the capacity and commodity components in addition to other variable components.



- (43) The Agency notes that, as a result of the proposed benchmarking adjustment, the tariffs at cross-border exits are not result from the application of the RPM. In addition, the Agency notes that tariffs are not rescaled after the application of the benchmarking adjustment. This implies that the TSO bears the costs of the benchmarking adjustment that is used to incentivise the use of the network for cross-system transport.

4.5 Price cap regulation and risk premium

- (44) The NRA proposes to apply a price cap regime to the revenue associated with the cross-system use of the network. In return for bearing this risk, the NRA establishes a risk premium. These elements are discussed in this section.

4.5.1 Scope of application of the proposed price cap

- (45) The price cap mechanism is applied to the revenue associated with the cross-system use of the network, both at entry IPs and exit IPs. The revenue is calculated based on the tariffs resulting from the CWD methodology and on the contracted capacity forecast that is used for this calculation. The latter parameter is described in section 4.3.1 above.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

- (46) Based on the proposed parameters, the resulting revenue under the price cap regime is CZK 2.1 bn (EUR 83m). This can be compared to the revenue that falls within the revenue cap regulation that is applied to the remaining revenue of the TSO, which amounts to CZK 4,26 bn (EUR 170 m). The total revenue of the TSO amounts to CZK 6.3 bn (EUR 250 m), to which a risk premium of CZK 0.4 bn (EUR 16 m) is proposed, as discussed in the section below.
- (47) ERU provided to the Agency an assessment highlighting how the changes in contracted capacity forecast impact the revenue that falls under the price cap regime. The analysis also shows the impact on the reference price applicable to the Lanžhot exit IP, which is the main exit point used for cross-system use. The analysis shows that a decrease in the forecasted contracted capacity from 190 GWh/d/y to 100 GWh/d/y would result in a decrease of the revenue falling under the price cap from CZK 2 bn (EUR 79 m) to CZK 1.3 bn (EUR 52 m). Table 4 summarises these results.

Table 4: Contracted capacity forecast and impact on the revenue falling under the proposed price cap regime.

	Scenario 1: Contracted capacity forecast 190 GWh/d/y Units: thousand CZK	Scenario 2: Contracted capacity forecast 100 GWh/d/y Units: thousand CZK
Revenue Cap revenues	4.264.297	5.081.131
Price Cap revenues	2.051.316	1.234.482
Total revenues (without risk premium)	6.315.613	6.315.613
	Resulting reference price (CZK/MWh/d/y)	Resulting reference price (CZK/MWh/d/y)
EXIT Lanžhot	9.499,17	11.010,57

4.5.2 Previously applied risk premium

- (48) Upon the first consultation based on the NC TAR, the NRA set a credit risk premium for the main user of the network. This premium was applicable between the years 2020 and 2022. The NRA communicated to the Agency that in 2023 the main shipper stopped fulfilling its contractual obligations including the payments for the contracted capacity.
- (49) The Agency notes that the consultation document does not specify the risk premium that the TSO collected in past years. The Agency recommends that ERU publish this information with a view to providing further transparency on the proposed tariff structure. ERU should provide this information as part of the motivated decision or as part of the proposed consultation to be carried out at the end of 2024 or early 2025.

4.5.3 Proposed risk premium

- (50) ERU proposes to calculate the premium on the basis of the contracted capacity forecast applicable to the points subject to a price cap scheme. The contracted capacity forecast at these points is set to 190 GWh/day. The NRA considers that there is no risk associated with the contracted capacity below 50 GWh/day, while it identifies certain risk for the forecasted capacity between 50 GWh/day and 190 GWh/day for this capacity not to be contracted in 2025. The NRA establishes a probability of 25% for this capacity not to be booked. Should the volume risk materialise, the TSO would not

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

recover fully the revenue associated with this forecasted contracted capacity. The applied probability level results in a premium of CZK 0.4 bn (EUR 16 m). The calculation is established based on the contracted capacity forecast of 140 GWh/day, which is converted to revenue using the tariffs resulting from the proposed RPM and multiplying this value by the probability considered by the NRA of the volume risk materialising.

- (51) The Agency notes that, as a result of the application of the benchmarking adjustment, and in the absence of the rescaling adjustment, the risk premium is not recovered using the proposed reference prices applicable to network points. This is equivalent to not setting a risk premium at all. As the proposed risk premium is not borne by any users of the network, the Agency does not assess the compliance of this element of the tariff structure.
- (52) In relation to the interactions between the different elements of the tariff structure, the Agency notes that the risk premium is calculated based on the reference prices resulting from the CWD methodology, while the revenue that the TSO is able to recover is based on the lower reference prices that result from the application of the benchmarking adjustment.
- (53) The Agency notes that Article 13 of Regulation (EC) 715/2009 requires that tariffs, including an appropriate remuneration, shall be in line with actual costs incurred by an efficient network operator. An additional premium to cover risk not covered already by the regular WACC can still be justifiable. By definition, a corporate WACC reflects the appropriate return for a company by reflecting its risk profile and financing structure. An additional premium should then be proportional to the potential value at risk and should be allocated based on the provisions foreseen in the NC TAR.
- (54) The Agency recommends that any risk mitigation instrument should be evaluated regularly in terms of its cost effectiveness.

4.6 Revenue reconciliation

- (55) The NRA proposes a mechanism to limit the reconciliation of under-recoveries to domestic exit points. Based on the reconciliation mechanisms in the NC TAR, the revenue under-recovery is logged into the regulatory account for its subsequent reconciliation.
- (56) To prevent that any potential under-recovery related to IP exits is reconciled to domestic exit point, the NRA proposes a cap on the under-recoveries that can be reconciled to domestic exit points. This limited reconciliation to ensure the continued operations of the TSO.
- (57) ERU communicated to the Agency that this cap is based on the infrastructure that is necessary to supply domestic exit points. The cap additionally aims at limiting the volume risk allocated to the price cap regime. The proposed mechanism would enter into force in 2025, however the reconciliation of the under- or over- recoveries would only be performed in 2027.
- (58) The Agency notes that it cannot assess the exact costs associated with the cross-system use of the network that can potentially be reconciled to end-users of the network as this requires a detailed and technical understanding of the network.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

- (59) The Agency recommends that the NRA, clarify the costs, which are related to the cross-system use of the network, that can be reconciled to end-users of the network.

4.7 Discounts to points to and from storage facilities

- (60) ERU proposes a discount of 100% to entry points from and exit points to storage facilities. The revenue that is not recovered as a result of this discount is allocated to all exit points of the network.
- (61) The proposed discount results in non-collected revenue amounting to CZK 1,197 bn (EUR 47 m) that is rescaled to exit points. A total of CZK 820 m (EUR 32 m) is allocated to domestic end points while CZK 377 m (EUR 16 m) is allocated to exit IPs.

4.8 Comparison with the CWD methodology

- (62) In the consultation document, ERU provides a comparison between the proposed RPM and the CWD methodology as set out in Article 8 of the NC TAR, this includes an entry-exit split of 50-50 and a discount of 50% applied to entry points from and exit points to storage facilities. The resulting reference prices are summarised in Table 5 below, and are related to the following differences:
- Entry-exit split.
 - Discounts to entry points from and exit points to storage facilities.
 - Risk premium applied to exit IPs.
- (63) The Agency notes that the comparison does not take into account the application of the benchmarking adjustment to IP exits.

Table 5: Comparison of indicative reference prices in the target model and the methodology described in Article 8 NC TAR

	CZK/MWh/day/year	CWD (Article 8 NC TAR)	Target model	Difference	Difference (%)
Entry points	VIP Brandov (CZ/DE)	6,193.09	1,127.14 -	-5,065.95	-82%
	VIP Lanžhot (CZ/SK)	3,960.78	720.86	-3,239.92	-82%
	VIP Waidhaus (CZ/DE)	7,079.42	1,288.45	-5,790.97	-82%
	Český Těšín (CZ/PL)	0	0	0	-
	Dolní Bojanovice UGS (CZ-SK)	1,785.92	0	-1,785.92	-
	Storage facilities (CZ)	1,785.92	0	-1,785.92	-
Exit points	VIP Brandov (CZ/DE)	6,626.85	15,271.72	8,644.86	130%
	VIP Lanžhot (CZ/SK)	4,969.71	11,452.80	6,483.09	130%
	VIP Waidhaus (CZ/DE)	3,721.35	8,575.93	4,854.58	130%
	Český Těšín (CZ/PL)	8,489.53	19,564.30	11,074.77	130%
	Dolní Bojanovice UGS (CZ-SK)	3,217.68	0	-3,217.68	-
	DSO + DCC	4,152.86	7,937.84	3,784.98	91%
Storage facility (CZ)	3,217.68	0	-3,217.68	-	

- (64) ERU additionally provides the CAA for the CWD, which results in 2.3%. For this calculation, ERU uses the cost drivers of capacity and distance.

4.9 Cost allocation assessment

- (65) In the consultation ERU provides cost allocation assessment (CAA) for the proposed RPM. The NRA provides two results excluding and including the risk premium of 4.6% and 12.2% respectively, which are not based on the application of the proposed benchmarking adjustment. The NRA has additionally provided the Agency the results of the CAA considering the benchmarking adjustment. These results are summarised in Table 6 below.

Table 6: Summary of CAA results.

	With benchmark		Without benchmark	
	With risk premium	Without risk premium	With risk premium	Without risk premium
Ratio intra	16,2352	16,2352	16,2352	16,2352
Ratio cross	14,4771	14,4771	18,3538	15,4987
CAA	11,45%	11,45%	12,25%	4,64%

- (66) As expected, the results of the CAA based on the application of the benchmark suggest that intra-system users contribute to a greater degree to recovering the revenue of the TSO. However, this is not an accurate interpretation as these results do not take into account the risk borne by the TSO, which could lead to some revenue associated with the cross-system use of the network not being reconciled to intra-system points.
- (67) The results of the CAA without the application of the benchmark show that cross-system users recover the additional costs of the risk premium. This explains the higher CAA result of 12%. However, the Agency notes that these results are not relevant as a benchmark is applied to the proposed reference prices.
- (68) The Agency recommends that the NRA publish the calculation of the CAA calculated in the absence of the proposed benchmarking adjustment and based on the application of this adjustment.

5. Compliance

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

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

5.1.1 Transparency

- (70) **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. The Agency finds the

simplified tariff model, as required by Article 30(2)(b) of the NC TAR, allows users to reproduce and forecast the calculation of reference prices.

5.1.2 Cost-reflectivity

- (71) **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. The technical characteristics of the transmission system.
- (72) The analysis on the compliance with the requirement of cost reflectivity considers separately the following elements:
- first, the proposed RPM and adjustments;
 - second, the proposed price cap regime, the complementary risk premium, the limit applied to the reconciliation of under- and over- recoveries and the profit-sharing mechanism.
- (73) The first set of elements are intended to allocate costs across network points, while the second are intended to manage the volume risk between the TSO and the end-users of the network. Both sets of elements are interrelated.
- (74) The Agency notes that the proposed RPM, including the benchmarking adjustment and the discounts to entry points from and exit points to storage facilities are compliant with the NC TAR. Both the proposed discounts result in a transfer of costs to exit points, mainly to domestic exit points, however, the proposed benchmarking adjustment is not rescaled. The application of these instruments is foreseen under the NC TAR.
- (75) In relation to the proposed price cap and the reconciliation mechanism the Agency considers this instrument consistent with the application of the NC TAR, however it cannot assess whether the values proposed for the various parameters (i.e. contracted capacity forecast, probability assigned to volume risk related to cross-system flows) are set appropriately. In addition, the Agency cannot assess whether the proposed costs related to the cross-system use of the network to be reconciled at domestic exit points are those that are necessary to ensure the continued operation of the network. The Agency further notes, that the NRA does not provide, in the consultation document, the profit-sharing mechanism to be applied to the revenue collected from cross-system users above the 190GWh/d. Finally, the Agency does not assess the proposed risk premium as it does not lead to additional revenue that is allocated to users of the network.
- (76) Following this reasoning, the Agency considers that the main features of the proposed methodology are compliant with the requirement on cost reflectivity. At the same time, the Agency cannot assess whether the precise values assigned to the parameters of the methodology (i.e. contracted capacity forecast, probability assigned to volume risk related to cross-system flows, assets that are subject to reconciliation, profit-sharing mechanism) comply with this requirement.
- (77) The Agency refers to the recommendation in paragraphs (53) and (54) to ensure the proportionality of the risk premium and to evaluate the instrument regularly in terms of its cost effectiveness. The Agency is aware that the application period of the proposed tariff structure is only foreseen for the year 2025. The NRA intends to consult again for the period starting in 2025. The Agency further

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

refers to the recommendation in paragraph (59) to provide clarity on the costs associated with the cross-system use of the network that are subject to reconciliation.

5.1.3 Cross-subsidisation and non-discrimination

- (78) **Article 7(c)** of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation.
- (79) Regarding the requirement on cross-subsidisation, the Agency notes that the proposed adjustments (i.e. benchmarking and discounts to entry points from and exit points to storage) leads to some degree of cross-subsidisation. The Agency, nevertheless, notes that the application of these instruments is foreseen in the NC TAR.
- (80) Following the conclusion on cost-reflectivity, the Agency considers that the proposed RPM is compliant with the requirement on preventing undue cross-subsidisation.
- (81) Regarding the requirement of ensuring non-discrimination, the Agency has not identified any form of discrimination related to the proposed RPM. This analysis is based on the definition of 'discrimination' as 'charging different prices to different network users for the identical gas transmission service'.

5.1.4 Volume risk

- (82) **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.
- (83) The Agency notes that the proposed tariff structure is intended to prevent that a significant volume risk related to the cross-system use of the network is not assigned to final customers. In particular, ERU establishes the cross-system revenue to be CZK 2.1 bn (EUR 83 m) out of the total CZK 6.3 bn (EUR 250 m) TSO revenue. A share of the revenue associated with eh cross-system use of the network can be reconciled to domestic points based on the proposed reconciliation mechanisms.
- (84) As noted in the paragraphs above assessing the compliance with the requirement of cost-reflectivity, the Agency cannot assess the specific values that are set for the parameters of the proposed tariff structure (i.e. contracted capacity forecast, probability assigned to volume risk related to cross-system flows, assets that are subject to reconciliation). While the Agency acknowledges that there is an existing risk associated with the forecast of the cross-system flows of the network, the Agency cannot assess the appropriateness of the proposed contracted capacity forecast or the likelihood of the transit contract via Ukraine being renewed.
- (85) The Agency therefore concludes that the proposed tariff structure contributes to meeting the objective on volume risk laid out in Article 7(d) of the NC TAR. However, the Agency cannot establish the compliance of the values that are an input to this mechanism and that ultimately determine the TSO revenue that is not assigned to final customers of the network.

5.1.5 Cross-border trade

- (86) **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade.
- (87) The Agency notes that the proposed RPM is complemented by the application of a benchmarking adjustment. This instrument is used to decrease reference prices to levels that are competitive compared to alternative routes. The instrument ensures that the costs allocated to the cross-system use of the network are lower than those resulting from the RPM.
- (88) The Agency considers that the proposed RPM is compliant with the requirement of non-distorting cross-border trade.

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

- (89) 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.
- (90) The NRA proposes to apply a flow-based charge that is differentiated to exit IPs and to domestic exit points.
- For domestic exit points, ERU proposes a flow-based charge of CZK 1.71/MWh (0.068 EUR/MWh) which is calculated on the forecasted average price for natural gas in 2025.
 - For IP exits, ERU proposes to calculate the flow-based charge as a coefficient multiplied by the daily spot price for natural gas.
- (91) The Agency notes that Article 4(3)(a)(ii) of the NC TAR requires that the flow-based charge is “*the same at all entry points and the same at all exit points*” in addition to being levied for the purpose of “*covering the costs mainly driven by the quantity of the gas flow*”. ERU explained to the Agency that the uncertainty related to the forecast of cross-system flows does not allow establishing a common forecast for a single flow-based charge that is cost reflective for both, domestic exit points and IP exits. For this purpose, the NRA proposes to differentiate the formula used to calculate flow-based charge.
- (92) The proposed approach allows providing visibility over the flow-based charge to domestic exit points, while adapting the charge to the spot price of gas in the case of IP exits.
- (93) The Agency acknowledges the difficulty in meeting the two objectives laid out under Article 4(3)(a). Should the same flow-based charge be set to all exit points, there is a risk of the charge becoming non-cost reflective. This results from the significant volume risk associated with the cross-system use of the network, which does not exist in relation to domestic exit points. The proposed approach allows allocating the costs mainly driven by the quantity of the gas flow in a cost reflective manner to all users of the network. In the event of the actual spot prices throughout the year not deviating from the forecasted average price for 2025, the tariff levels for intra-system users and cross-system users would be aligned.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

- (94) The Agency recommends that ERU monitor the differences between the flow-based charge to domestic exit points and to IP exits with a view to revising the proposed flow-based charge in the consultation to be carried out by the end of 2024.

Table 7: Criteria under Article 4(3)(a) of the NC TAR applicable to the flow-based charge.

Criteria	Y/N?
levied for the purpose of covering the costs mainly driven by the quantity of the gas flow	Yes
calculated on the basis of forecasted or historical flows, or both	Yes
set in such a way that it is the same at all entry points and the same at all exit points	Partially. Depends on the difference between the forecasted average gas price for 2025 and the daily spot prices for 2025.
expressed in monetary terms or in kind	Yes

Annex 1: Legal framework

(95) 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.*

(96) 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:

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

- (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.*

(97) 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;*

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

(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.

(98) 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.

(99) 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;*

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR CZECH REPUBLIC

(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.

(100) 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