



European Union Agency for the Cooperation  
of Energy Regulators

## Agency Report

# Analysis of the Consultation Document on the Gas Transmission Tariff Structure for Lithuania

NRA: Valstybinė Energetikos Reguliavimo  
Taryba (National Energy Regulatory  
Council)

TSO: AB Amber Grid

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## 1. ACER conclusion

- (1) The Lithuanian National Regulatory Authority ('NRA'), *Valstybinė energetikos reguliavimo taryba* ('VERT'), proposes a tariff structure applicable to the Lithuanian gas transmission network. The proposed tariffs are based on various asset splits to identify the TSO revenue associated with specific parts of the transmission network, the regional networks (differentiating further the regional exit point to the Achema fertilizer plant), and the transmission infrastructure used to transport gas from the Belarus entry point to the exit to Kaliningrad.
- (2) For the transmission network, VERT proposes a postage stamp methodology. Tariffs at entry points are set to the common entry value applicable to the FINESTLAT<sup>1</sup> regional market merger of 142.77€/MW/h. In practice, the reference price methodology ('RPM') is only used to set tariffs at exit points. The entry-exit split varies through the years, as a result of the fixed tariff at entry points, and is based on a 73/23 ratio for 2024. The NRA proposed to discontinue the discount at the LNG entry point, which results in no need to rescale tariffs.
- (3) For the regional network, VERT proposes to continue the same approach as applied in the current methodology, namely to allocate the cost of the regional networks as a transmission service, entirely to the respective groups of regional network users. VERT proposes two tariffs to allocate the allowed revenue associated with regional networks. 30% of this revenue is allocated as a postage stamp tariff that is added to the transmission tariff when exiting at regional exit points. 70% of this revenue is allocated using a stand-alone capacity tariff that is based on the declared peak capacity of the relevant end-users. The Agency notes that, while the proposed approach is compliant with the requirement on cost reflectivity, it is not compliant with the requirement of applying the RPM to all points of the network. In addition, the application of two capacity tariffs at network exits is not compliant with the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a Network Code on Harmonised Transmission Tariff Structures for Gas ('NC TAR').
- (4) For the specific domestic exit point to the Achema fertilizer plant, accounting for 46% to 59% of the Lithuanian gas consumption in the period 2018 to 2022,<sup>2</sup> VERT proposes to replicate the same dual tariff scheme applicable to domestic exits point in the regional networks. VERT proposes to set stand-alone tariffs for this exit point based on the lower unit costs of the infrastructure connection compared to the other regional exit points.
- (5) For the transmission to the Kaliningrad District<sup>3</sup>, VERT proposes to apply the tariffs derived by considering the route as a conditional product that is offered on the basis of a discount. The capacity booked at the entry point from Belarus and the exit to the Kaliningrad District can only be used for this combination of points. The Agency notes that, following a ban on Russian gas imports, the

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<sup>1</sup> FINESTLAT is the regional market merger of Finland, Estonia and Latvia.

<sup>2</sup> The gas consumption of this end user varies over the years: 55% in 2018, 59% in 2019, 52% in 2020, 48% in 2021 and 46% in 2022.

<sup>3</sup> The consultation document refers to this dedicated service as 'transmission service to third country'. In this report for this service reference is made to 'transmission to Kaliningrad'.

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entry point from Belarus can only be used to transport gas to the exit to the Kaliningrad District.<sup>4</sup> The Agency further notes that the costs allocated to the transport of gas to the Kaliningrad District are not only related to the assets connecting Belarus to Kaliningrad, but also include 42% of the costs of the infrastructure linking this segment to the entry point from Latvia. The NRA explained to the Agency that this alternative path works as a backup route to supply the Kaliningrad District.

- (6) The NC TAR foresees a cost allocation assessment ('CAA'<sup>5</sup>) to assess the impact of the RPM on cross-subsidisation. The result of the CAA considering only the proposed RPM is 0%, which is within the 10% threshold foreseen in Article 5 of the NC TAR. However, when calculating the CAA including regional networks and the transmission to Kaliningrad, the result is 119%. This significantly higher result shows that the proposed RPM reflects the underlying unit costs through the proposed asset splits. While the approach is, overall, cost reflective, it comes at the price of additional complexity of the calculation and should be reviewed on the basis of broader compliance with the NC TAR, as discussed in this report.
- (7) The NC TAR also foresees a comparison of the proposed RPM with the capacity weighted distance ('CWD') methodology. In this comparison, VERT did not apply any asset split or adjustment when calculating the CWD methodology. As a result, the tariffs applicable to the points that are subject to an asset split increase: exit to Achema (+33%), entry from Belarus (+235%) and exit to Kaliningrad (+140%), while tariffs at other points decrease. These points account for 46% of the forecasted contracted exit capacity. The comparison shows that the proposed tariff structure improves the cost reflectivity of the tariffs as a result of the applied asset splits. This advantage should be weighted against the additional complexity that the approach brings and reviewed on the basis of broader compliance with the NC TAR, as discussed in this report.
- (8) The NRA further proposes to apply a commodity-based tariff (flow-based tariff) to allocate the compression costs. This charge is set at all exit points of the network. VERT proposes to differentiate the tariff at the exit point to Poland to reflect the additional compression power required for the gas flows to this Member State.
- (9) The Agency notes that past over-recoveries in the Lithuanian network have been reconciled only to exit points of the regional network. This distorts the cost reflectivity of the proposed approach to setting tariffs for regional networks and it is not compliant with the rules on revenue reconciliation in Article 20 of the NC TAR, which requires that "*the full or partial reconciliation of the regulatory account shall be carried out in accordance with the applied reference price methodology*". This article should be read together with Article 6(3) of the NC TAR, which requires that the RPM be applied to all network points, and with Article 4(3)(b) of the NC TAR, that foresees an alternative reconciliation instrument based on a commodity charge applicable to points other than interconnection points.
- (10) Finally, an LNG Security of Supply Supplement to Lithuanian domestic exit points is applied to recover costs associated with import of LNG via the Klaipėda LNG terminal. Some parts of the instrument have been redesigned in 2022 (i.e. regasification costs are not socialised as long as the

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<sup>4</sup> See footnote 9.

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

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regasification rates stay above certain levels). The support mechanism is sensitive to the relative prices of LNG and the gas prices of the Lithuanian market. Significantly, in the recent context of high energy prices, the levy has been set to zero for 2023. This levy is allocated to end users of the Lithuanian network and it is independent from the TSO allowed revenue allocated using transmission tariffs.

- (11) 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 contains most of the required information listed in Article 26(1) of the NC TAR. The Agency remarks that additional information is required to clearly understand the scope of the proposed tariff methodologies and the details of the asset splits performed.
  - The proposed RPM, and more generally, the proposed tariff structure, is not fully compliant with the requirements on cost reflectivity, cross-subsidisation and cross-border trade. This results from the insufficient substantiation of the proposed asset splits and from the approach to revenue reconciliation. On the requirement of non-discrimination, the information provided by VERT is not sufficient to validate that the unit costs of the exit to the Achema fertilizer plant stand out compared to all other domestic exit points located at regional networks; as a result the Agency cannot conclude that the proposed tariff is compliant with the requirement on non-discrimination. On transparency, the Agency considers that the proposed tariff structure is not fully compliant. While it meets the requirement to enable network users to reproduce the RPM calculation and to forecast tariffs, the consultation does not fully explain the evolution and the changes in tariffs, particularly those applicable to the transmission to Kaliningrad. Finally, the compliance on volume risk requires further justification on the criteria to perform the asset split for the transmission to Kaliningrad.
  - The criteria for setting the commodity charge are not fully met either. VERT proposes to differentiate the flow based charge applicable to the exit to Poland. This approach does not comply with Article 4(3), stating that the flow-based charge should be “*set in such a way that it is the same at all entry points and the same at all exit points*”.
  - The criteria for setting non-transmission tariffs are not applicable.
- (12) Overall, given the complexity of the RPM, which is significant departure from a usual postage stamp RPM, clearer legal arguments would be necessary for the Agency to be able to confirm that the RPM is compliant with the requirements set out in Article 7 of the NC TAR, that the same RPM applies to all the points in the Lithuanian system and that there is no discrimination among domestic consumers.
- (13) The Agency additionally notes that the proposed tariff structure is complex for the relatively simple network structure. For this reason, the Agency finds value in simplifying the methodology with the aim of ensuring further transparency on the calculation of tariffs.
- (14) The Agency recommends that, in its motivated decision, VERT take into consideration the following:
- (15) First, on regional networks, the Agency recommends VERT to change the category of regional networks to distribution, thereby allocating these costs outside the RPM. For this purpose, the Agency recommends that VERT provide a timeline in its motivated decision outlining such a

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process. The Agency recommends that VERT take into account the timeline for the foreseen Finnish Baltic Market Merger.

- (16) Second, on the proposed tariff differentiation to the domestic exit point to the Achema fertilizer plant, the Agency recommends that VERT complete the recommendation made by the Agency in its 2021 Report on the Tariff Consultation for Lithuania<sup>6</sup> by demonstrating that the unit costs of this specific exit point stand out in comparison with the other domestic exit points and by specifying the criteria based on which a consumer, including Achema, could get a different tariff compared to all other domestic exit points. For this purpose, VERT should, if the unit costs is the used criterion, take into consideration the distance at which domestic exit points are located from the transmission network.
- (17) Third, on the asset split applicable for the transmission to Kaliningrad, VERT should provide sufficient clarity on the criteria used for the asset split and on the resulting costs and assets that are allocated to the transmission to Kaliningrad. Given the complexity of this calculation, the Agency considers that VERT should publish the quantitative details of this calculation in an annex to its decision to prove that the principle of cost-reflectivity is respected (in particular the break-down of the regulated asset base and of the allowed revenue). VERT should particularly justify the criteria supporting the allocation of 42% of the costs of the pipelines between the Kiemenai entry point (point B in the map in Figure 2) and the intersection in point 5 (also in the map), taking into account the limited actual use of this branch for transmission to Kaliningrad.
- (18) In addition, the Agency further recommends to clarify the changes in the tariffs applicable to the exit to Kaliningrad, which experience a significant increase between 2025 and 2026. The Agency recommends that VERT motivate the opposite evolution of tariffs applicable at the exit point to Kaliningrad (increasing over time) and the remaining transmission exits (decreasing over time). This is a requirement according to Article 30(2)(a)(ii) of the NC TAR.
- (19) The Agency notes that the existing legacy capacity contract to transport gas to Kaliningrad is valid until 31 December 2025, while VERT proposes tariffs that are applicable until 2028, reflecting the new regulatory period. The Agency points out that any new capacity contract for transmission of Russian gas to Kaliningrad signed beyond 2025, should be compliant with the NC TAR and, more broadly, with the Third Energy Package.
- (20) Fourth, on the reconciliation of over- and under- recoveries, VERT should comply with Article 20 of the NC TAR to carry out the reconciliation using the RPM and not specific points of the network, unless Article 4(3)(b) of the NC TAR is applied. The Agency further recommends that the NRA consider establishing a regulatory sub-account with the aim of reconciling the under- and over-recovery associated to the transmission to Kaliningrad only to users of this network segment. This measure can help prevent that the volume risk associated with this transport route is allocated to final customers within the entry-exit system.

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<sup>6</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/Agency%20report%20-%202n%20analysis%20of%20the%20consultation%20document%20for%20Lithuania.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%202n%20analysis%20of%20the%20consultation%20document%20for%20Lithuania.pdf)

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- (21) Fifth, the Agency recommends that VERT calculate additional scenarios for the CAA, as detailed in paragraph (93), to assess separately the asset splits applicable to regional networks and to the transmission to Kaliningrad.
- (22) The consultation document published by VERT takes into account several recommendations issued by the Agency in its report on the previous Lithuanian consultation. VERT shared with the Agency useful information to substantiate the cost-reflectivity of its RPM. The Agency appreciates both.

## 2. Introduction

- (23) Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas (NC TAR).
- (24) Article 27 of the NC TAR requires the Agency to analyse the consultation documents on the reference price methodologies for all entry-exit systems.<sup>7</sup> This Report presents the analysis of the Agency for the transmission system of Lithuania.
- (25) On 7 February 2023, the National Energy Regulatory Council ('VERT') forwarded the consultation documents to the Agency. The consultation was launched on 1 December 2022 and remained open until 1 February 2023. VERT informed the Agency that no responses to the public consultation were received. Within five months following the end of the final consultation, and pursuant to Article 27(4) of the NC TAR, VERT shall take and publish a motivated decision on all the items set out in Article 26(1).
- (26) VERT already carried out two public consultations pursuant to Article 26(1) of the NC TAR, which have been followed by the respective motivated decisions. The latest NRA decision was published in 2021 and was applicable for the period 2022-2023. The current consultation document published by VERT takes into account the recommendations issued by the Agency in its previous reports<sup>8</sup>.

### *Reading guide*

- (27) 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 tariff structure for the Lithuanian transmission network. Section 5 focusses on the compliance, namely if the RPM complies with the requirements set out in Article 7 of the NC TAR, 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. Section 6 describes the LNG levy allocated to the transmission network and provided guidance on the Finnish Baltic regional market integration. This document contains two annexes, respectively the legal framework and a list of abbreviations.

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<sup>7</sup> With the exception of Article 10(2)(b), when different RPMs may be applied by the TSOs within an entry-exit zone.

<sup>8</sup> [Agency report-analysis of the consultation document for Lithuania.pdf \(europa.eu\)](#) and [Agency report - 2n analysis of the consultation document for Lithuania.pdf \(europa.eu\)](#).

### 3. Completeness

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

- (28) 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.
- (29) 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 been published in English.
- (30) Overall, most of the information in Article 26(1) of the NC TAR has been properly published. The Agency recommends that VERT includes in the motivated decision the missing elements that are referred to in Table 1 below.

Table 1 Checklist information Article 26(1)

Article	Information	Published: Y/N/NA
<b>26(1)(a)</b>	the description of the proposed reference price methodology	Partially. The different calculations used to set tariffs for the different asset splits are not clearly differentiated and explained.
<b>26(1)(a)(i)</b> <b>26(1)(a)(i)(1)</b> <b>26(1)(a)(i)(2)</b>	the indicative information set out in Article 30(1)(a), including: <ul style="list-style-type: none"> <li>the justification of the parameters used that are related to the technical characteristics of the system</li> <li>the corresponding information on the respective values of such parameters and the assumptions applied</li> </ul>	Partially. The Agency considers that additional information should be published to properly substantiate the complex RPM proposed by VERT.
<b>26(1)(a)(ii)</b>	the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9	Yes
<b>26(1)(a)(iii)</b>	the indicative reference prices subject to consultation	Yes
<b>26(1)(a)(iv)</b>	the results, the components and the details of these components for the cost allocation assessments set out in Article 5	Yes
<b>26(1)(a)(v)</b>	the assessment of the proposed reference price methodology in accordance with Article 7	Yes
<b>26(1)(a)(vi)</b>	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
<b>26(1)(b)</b>	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes
<b>26(1)(c)(i)</b> <b>26(1)(c)(i)(1)</b> <b>26(1)(c)(i)(2)</b> <b>26(1)(c)(i)(3)</b>	where commodity-based transmission tariffs referred to in Article 4(3) are proposed <ul style="list-style-type: none"> <li>the manner in which they are set</li> <li>the share of the allowed or target revenue forecasted to be recovered from such tariffs</li> <li>the indicative commodity-based transmission tariffs</li> </ul>	Yes
<b>26(1)(c)(ii)</b> <b>26(1)(c)(ii)(1)</b>	where non-transmission services provided to network users are proposed:	N.a.

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<p><b>26(1)(c)(ii)(2)</b></p> <p><b>26(1)(c)(ii)(3)</b></p> <p><b>26(1)(c)(ii)(4)</b></p>	<ul style="list-style-type: none"> <li>• the non-transmission service tariff methodology therefor</li> <li>• the share of the allowed or target revenue forecasted to be recovered from such tariffs</li> <li>• the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3)</li> <li>• the indicative non-transmission tariffs for non-transmission services provided to network users</li> </ul>	
<p><b>26(1)(d)</b></p>	<p>the indicative information set out in Article 30(2);</p>	<p>Partially. VERT does not provide sufficient information on the evolution of tariffs and on the significant tariff changes for the transmission to Kaliningrad (See Section 4.6)</p>
<p><b>26(1)(e)</b></p> <p><b>26(1)(e)(i)</b></p> <p><b>26(1)(e)(ii)</b></p> <p><b>26(1)(e)(iii)</b></p> <p><b>26(1)(e)(iv)</b></p>	<p>where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity:</p> <ul style="list-style-type: none"> <li>• the proposed index;</li> <li>• the proposed calculation and how the revenue derived from the risk premium is used</li> <li>• at which interconnection point(s) and for which tariff period(s) such approach is proposed</li> <li>• the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed</li> </ul>	<p>N.a.</p>

## 4. Assessment of the proposed reference price methodology

- (31) This section assesses the proposed tariff structure, taking into account the network characteristics and the different asset splits proposed by the NRA. The section starts by presenting the main changes compared to the previous consultations (section 4.1). This is followed by a description of the tariff structure proposed for the transmission network, the regional network, the regional exit to the Achema fertilizer plant and the transmission to Kaliningrad (sections 4.2 to 4.6). In addition, the section addresses, the revenue reconciliation (section 4.7), the cost allocation assessment (section 4.8) and the comparison with the CWD methodology (section 4.9).

### 4.1 Changes in the 2023 consultation

- (32) The consultation document presents the tariff structure for the new regulatory period (2024-2028). The main changes in the proposed methodology assessed in this report, compared to the analysis presented by the Agency in its 2021 Report on the Tariff Consultation for Lithuania, are listed below. Figure 1 provides a map of the Lithuanian gas network to allow the reader to better understand these changes.
- The discussions on the Finnish Baltic market merger are delayed and the merger will start not earlier than 1 October 2024, due to changes in gas flows resulting from the war in Ukraine.

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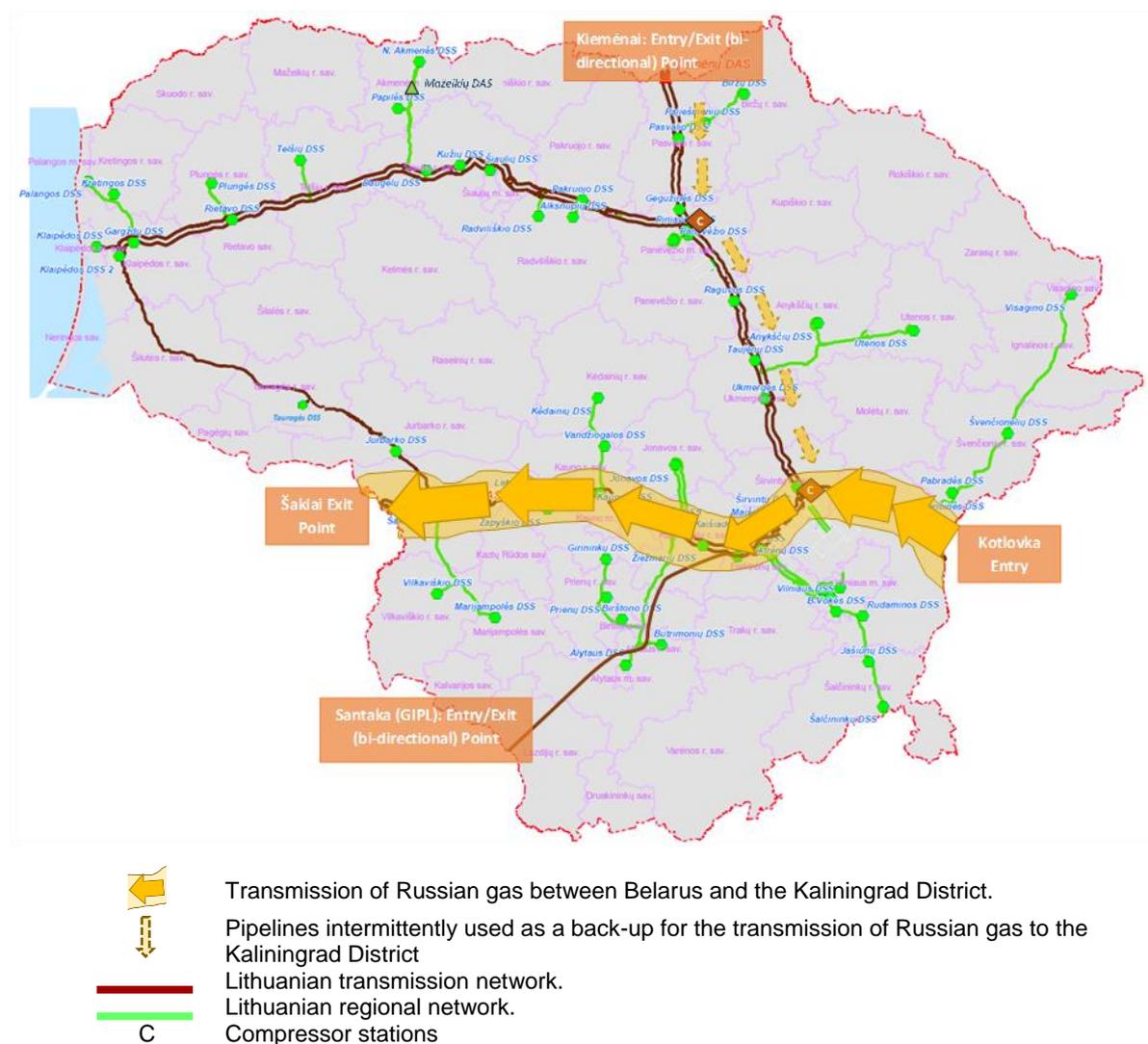
- Discontinuation of the 72% discount to the Klaipėda LNG terminal entry point. As a result there is no need to apply a subsequent rescaling adjustment.
- The entirety of the Russian gas that enters the network through the Kotlovka entry point at the Belarus border is transported to the Šakiai exit point on the Lithuanian border with the Kaliningrad district of the Russian Federation. As of 12 July 2022, based on an amendment of the Law on natural gas of the republic of Lithuania, the Kotlovka entry point cannot be used to import Russian gas, except for the Kaliningrad District.<sup>9</sup>
- Variable capacity-commodity split (instead of a fixed split of 90%-10%). As a result of the increase in gas prices, energy costs to power compressors are more volatile. The capacity-commodity split can subsequently vary over the years.
- Introduction of a differentiated commodity-based tariff (flow based charge) at the Santaka IP to Poland intended to allocate the flow costs associated with the export flows to Poland specifically to the exit to Poland.
- Introduction of a Lithuanian Domestic Entry point for bio-methane producers who are planning to transport biogas via the transmission system). The proposed entry tariff is the same as for the remaining entry points of the network.

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<sup>9</sup> The amended Article 46, paragraph 3 states that the operator of the transmission system and the operator of the distribution system cannot grant the users of these systems the right to use the transmission system and the distribution system to supply natural gas to (through) the territory of the Republic of Lithuania directly from countries that, according to the National Security Strategy, pose a threat to the national security of the Republic of Lithuania and the safeguarding of national security interests. This requirement does not apply to the transit of natural gas to the Kaliningrad region of the Russian Federation.

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Figure 1: Map of the Lithuanian transmission system



- (33) The following elements in the proposed methodology have not changed compared to the previous consultation, although they are part of the analysis made in this report.
- The NRA proposes to continue applying the so called common FINESTLAT merger entry tariff of 142.77€/MW/h applicable to the entry from the Klaipėda LNG, the Santaka entry point from Poland and the Kiemėnai entry point from Latvia.
  - Regional networks continue to be considered as part of transmission networks.
  - Within the regional network, an additional asset split is used to set differentiated tariffs for the domestic exit to the Achema fertilizer plant.
  - Two capacity tariffs are applicable to domestic exit points: a tariff for the contracted capacity and a tariff for the declared peak capacity of the end-user, which can be above the actual booked capacity.

### 4.2 Description of network and scope of the proposed tariff structure

- (34) The proposed tariff structure is based on various specificities of the Lithuanian transmission system, in addition to the foreseen FINESTLAT market merger. Figure 1 above provides a representation of the network. VERT proposes an asset split for each of the following infrastructure.

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- (35) First, as mentioned above, VERT continues to propose a common tariff at all entry points established at 142.77€/MW/h<sup>10</sup>. The proposed RPM for the transmission network is only applicable to the exit points of the transmission network.
- (36) Second, the TSO, AB Amber Grid, owns and operates a single network which is composed of both transmission<sup>11</sup> and regional assets<sup>12</sup>. The transmission network is a gas ring connecting the networks from Poland, Latvia, Belarus and an entry from Klaipėda LNG. The regional network is solely dedicated to supply gas to Lithuanian consumers<sup>13</sup>. VERT proposes an asset split to identify the costs associated with the regional networks. Based on this input, VERT calculates the tariff components that are applicable when exiting regional networks.
- (37) Third, the TSO proposes to differentiate the tariffs applicable to an individual domestic exit point used by the Achema fertilizer plant from the tariffs applicable to the other domestic exit points. For this purpose, VERT proposes an asset split to set tariffs based on the lower unit costs to the Achema fertilizer plant.
- (38) Fourth, the Lithuanian network supplies the Kaliningrad district with Russian gas entering the Lithuanian network from Belarus (hereafter referred to as 'transmission to Kaliningrad'). In the recent past, the entry point from Belarus was also used to supply Lithuanian end-consumers. While the Lithuanian end-consumers rely on this same pipeline to transport gas to regional networks, they no longer import gas from Belarus/Russia, hence they do not use the entry point from Belarus. VERT proposes to perform an asset split to identify the costs associated with the transmission to Kaliningrad. Based on this cost input, VERT calculates the transmission tariff applicable when transporting gas to Kaliningrad. While this is mostly done via the entry point from Belarus, an alternative route to supply Kaliningrad from the IP with Latvia is used in case of maintenance or a security of supply event along the main route.

### 4.2.1 Four different tariff methodologies based on three asset splits

- (39) In the understanding of the Agency, VERT's proposal is based in the following tariff structure:
- A postage stamp RPM applicable to the transmission network used to set tariffs at exit points of the Lithuanian network.
  - A methodology to calculate the transmission tariffs for the conditional capacity product to supply Kaliningrad. These tariffs are expressed as discount applicable to the transmission tariffs for the Lithuanian transmission network.
  - A methodology applicable to regional networks to calculate the tariff components applicable to regional exits.

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<sup>10</sup> The Agency notes that this agreement between the parties involved in FINESTLAT has not been properly consulted. See for instance [Agency report - analysis of the consultation document for Estonia published on 26 June 2019](#).

<sup>11</sup> The transmission network is composed of 1479 km of pipes of a diameter ranging between 150 and 1200 mm.

<sup>12</sup> The regional network is composed of 806.6 km with 64 gas offtake points.

<sup>13</sup> In the consultation document this network is called 'secondary' or 'local' network to avoid any confusion with the on-going regional market integration process involving Latvia, Estonia and Finland.

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- A tariff to the single domestic exit point to supply the Achema fertilizer plant located within the regional network.
- (40) While each methodology is based on a postage stamp logic, the input parameters - the TSO revenue and the forecasted contracted capacity - are different and independent in each case. The TSO revenue for these different methodologies is based on the following asset splits.
- A split to identify the revenue related to the transmission pipeline between Belarus and Kaliningrad.
  - A split to identify the revenue related to the regional networks.
  - A split to identify the revenue related to the domestic exit point to the Achema fertilizer plant.
- (41) Given the complexity of this RPM which is significant departure from a usual postage stamp RPM, clearer legal arguments would be necessary for the Agency to be able to confirm that the RPM is compliant with the requirements set out in Article 7 of the NC TAR, that the same RPM applies to all the points in the Lithuanian system and that there is no discrimination among domestic consumers.

Table 2 Breakdown of the indicative Lithuanian TSO's allowed revenue in 2024.

		TSO revenue 2024 (TEUR)	Share of total allowed revenue
		Pre-reconciliation values	
Transmission network		53,226	57%
Transmission between Belarus - Kaliningrad		13,322	14%
Regional networks	Excluding Achema domestic exit point	24,988	27%
	Domestic exit point to Achema	1,539	2%
	Total	26,527	29%
Total		93,075	100%

Source: Simplified tariff model for calculation of 2023-2028 tariffs and forecasted indicative tariffs until the end of the regulatory period (2024-2028).

### 4.3 Postage stamp RPM applicable to the transmission network

- (42) VERT proposes to apply a postage stamp methodology to calculate the tariffs applicable to the transmission network exit points. Tariffs at entries are set to the value of 142.77€/MW/h.
- (43) The entry-exit split for this RPM is a result of the proposed entry tariff and of the forecasted contracted capacity at entry points. The revenue to be recovered at exits is calculated by subtracting the entry revenue from the total revenue to be recovered from the transmission network. In the consultation document, VERT proposes to recover 22.1€ from entries and 8.4€ from exits.
- (44) The Agency notes that this approach to setting tariffs at entries does not follow the usual calculation steps, where all tariffs result from the application of the RPM. In practice, the proposed RPM is only used to calculate tariffs for exit points. However, it should be noted that this approach is mathematically equivalent to applying the RPM to all network points while applying an entry-exit split that is equal to:

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$$EE_{en} = \frac{T_{en} * C_{en}}{R_T}$$

$EE_{en}$  = Share of revenue allocated at entry points

$T_{en}$  = Tariff applicable at entry points (i.e.142.77)

$C_{en}$  = Forecasted contracted capacity at entry points

$R_T$  = Total revenue allocated to entry and exit points

- (45) In order to keep entry tariffs at a fixed value, the entry-exit split changes every tariff year. This is not problematic from the perspective of the reproduction and forecast of tariffs, as the fixed entry tariff already facilitates this. The approach is compliant with the NC TAR as it allows reproducing the calculation of tariffs and forecasting future tariffs as required by the Article 7(1) of the NC TAR.

### 4.3.1 Tariffs applicable to the transmission network

- (46) The RPM calculation, in addition to the proposed tariffs applicable to entry points, result in the tariffs that are presented in Table 3 below.

*Table 3: Indicative reference prices applicable to the Lithuanian transmission network points, excluding regional networks and the tariffs applicable to the entry Kotlovka for transmission to Kaliningrad*

EUR/MWh/d/year		2023	2024	2025	2026	2027	2028
Entries	Kotlovka <sup>14</sup>	142.77	142.77	142.77	142.77	142.77	142.77
	Kiemėnai	142.77	142.77	142.77	142.77	142.77	142.77
	Klaipėda LNG	142.77	142.77	142.77	142.77	142.77	142.77
	Santaka	142.77	142.77	142.77	142.77	142.77	142.77
Exits	Kiemėnai	116.66	67.33	77.67	30.71	30.24	32.17
	Exit to regional networks	41.22	67.33	77.67	30.71	30.24	32.,17
	Santaka	116.66	67.33	77.67	30.71	30.24	32.17

- (47) The Agency notes that the tariffs proposed at domestic exit points that are provided in the consultation document, are the result of adding up the transmission tariffs resulting from the RPM and a regional component, which is described below. The Agency recommends that the NRA publish these components separately to provide more transparency for both of these calculations.

### 4.3.2 Adjustments to the proposed RPM

- (48) VERT does not propose to apply any adjustments or discounts foreseen in Articles 6(4) and 9 of the NC TAR.

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<sup>14</sup> See paragraph (32) third point. Kotlovka entry point will not be used other than for transmission of Russian gas to Kaliningrad.

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- (49) Compared to the currently applicable tariffs, it proposes to discontinue the 72% discount applied to the entry point from the Klaipėda LNG terminal. As a result, there is no need to rescale the tariffs<sup>15</sup>.

### 4.4 Asset split applicable to regional networks

- (50) VERT proposes to keep the current methodology, namely to allocate the cost of the regional networks, as a transmission service, entirely to the respective groups of regional network users. For this VERT proposes an asset split to separate the cost for the regional networks from the rest of the transmission network.
- (51) For the purpose of identifying the costs associated with regional networks, VERT uses the following principles:
- Assets are separately allocated to one or the other network if they are clearly part of it. The map in Figure 1 shows how regional pipelines, represented in green, can easily be identified as being part of regional networks.
  - The cross-border gas metering stations at Šakiai and Kiemenai are attributed to the transmission network.
  - The compressor stations at Jauniūnai and Panevėžys are attributed to the transmission network.
  - Other assets and costs are allocated to both network categories in proportion to the length of the transmission (1479 km) and the regional network (806.6 km).
- (52) The costs resulting from this asset split are represented in Table 2 above. The revenue associated with regional networks is further divided to identify the revenue associated with the exit to the Achema fertilizer plant. This is addressed in Section 4.5.

#### 4.4.1 Proposed tariffs applicable at exits from regional networks

- (53) VERT proposes to apply two regional tariffs to domestic exit points:
- A tariff for the capacity contracted at domestic exits. 30% of the revenue associated with regional networks is allocated using this tariff. The resulting regional tariff is added to the transmission tariffs calculated using the RPM.
  - A tariff for the declared peak capacity of the end-user (referred to as 'consumption capacity'), which can be above the actual contracted capacity. 70% of the revenue associated with regional networks is allocated using this tariff, which is a stand-alone tariff and is not added to the transmission tariffs calculated using the RPM.
- (54) In exchanges with the Agency, VERT and the TSO explained that the rationale for using a separate tariff for consumption capacity is related to the practice that Lithuanian transmission network users annually declare to the TSO their greatest required daily volume of gas to meet their maximum gas

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<sup>15</sup> In its 2021 Report on the Tariff Consultation for Lithuania, the Agency recommended that VERT should explicitly describe in its tariff decision the mechanisms used to compensate the discount granted to Klaipėda LNG entry based on Article 9 of the NC TAR and the legal base for these mechanisms should be clarified.

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consumption needs. The ‘consumption capacity’ is not based on capacity bookings but on the declared ‘peak reservations’ by the Lithuanian network users.<sup>16</sup>

- (55) In the consultation document, VERT provides the forecasted contracted capacity distinguishing the Achema domestic exit and the rest of domestic exit points. The resulting tariffs, including tariff components, are represented in Table 4 below.

Table 4: Indicative reference prices for exit points at regional networks

EUR/MWh/d/year		2024
Domestic Exit	Resulting transmission capacity based tariff	<b>201.18</b>
	• Transmission tariff <sup>17</sup>	67.33
	• Additional regional tariff component	133.85
	Tariff for ‘consumption capacity’	<b>148.63</b>
Domestic Exit - Achema	Resulting transmission capacity based tariff	<b>80.72</b>
	• Transmission tariff	67.33
	• Additional regional tariff component	13.39
	Tariff for ‘consumption capacity’	<b>44.89</b>

### 4.4.2 ACER’s conclusion on the proposed tariffs applicable to regional networks

- (56) The Agency remarks that the existence of regional networks when designing an RPM for the transmission network is a long-standing topic in the implementation of the NC TAR. The Agency provided guidance on this issue in the ACER 2020 NC TAR Implementation Report<sup>18</sup> which it has recently repeated in the 2023 ACER Report on the Tariff Consultation for Italy<sup>19</sup>. The Agency recommends two options for the allocation of the cost associated with regional networks:
- First, in cases where regional networks are in place, these costs can be allocated using the RPM, should the proposed methodology prove capable of allocating the costs related to regional networks only to domestic users.
  - Second, should the allocation of the costs of regional networks to domestic end users not be possible under the proposed RPM, the Agency recommends to change the category of regional networks to distribution, allocating these costs outside the RPM.
- (57) This recommendation is based on the definitions of ‘transmission’ and ‘distribution’ in Directive 2009/73/EC<sup>20</sup>.

<sup>16</sup> The tariff is calculated by dividing the allocated allowed revenue (70% of the allowed revenue allocated to the regional network) by the declared peak reservations. The tariff is paid on a monthly basis.

<sup>17</sup> See Table 3.

<sup>18</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/The%20internal%20gas%20market%20in%20Europe\\_The%20role%20of%20transmission%20tariffs.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/The%20internal%20gas%20market%20in%20Europe_The%20role%20of%20transmission%20tariffs.pdf)

<sup>19</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Italy.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Italy.pdf)

<sup>20</sup> Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

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- (58) This recommendation also builds on the core principles on the NC TAR, which include:
- *The application of the reference price methodology shall provide a [single] reference price (Article 6(2) of the NC TAR).*
  - *The same reference price methodology shall be applied to all entry and exit points in a given entry-exit system (Article 6(2) of the NC TAR).*
  - *'Cost driver' means a key determinant of the transmission system operator's activity which is correlated to the costs of that transmission system operator, such as distance or technical capacity (Article 3(18) of the NC TAR).*
  - *'Transmission services revenue' means the part of the allowed or target revenue which is recovered by transmission tariffs (Article 3(6) of the NC TAR).*
  - *The full or partial reconciliation of the regulatory account shall be carried out in accordance with the applied reference price methodology and, in addition, by using the charge referred to in Article 4(3)(b), if applied (Article 20(1) of the NC TAR).*
- (59) In a number of Member States, the certification of the TSOs has resulted in these entities including regional networks as part of its transmission infrastructure. The Agency notes that the rules of the NC TAR are designed with the aim of allocating the costs of transmission networks and not regional networks. The allocation of the latter together with transmission networks is likely to result in cross-subsidies between cross-system use and intra-system use.
- (60) In the specific case of the Lithuanian network, the Agency recommended in its 2019 Report on the Tariff Consultation for Lithuania<sup>21</sup> to allocate the costs associated with regional networks using the RPM or to categorise this infrastructure as distribution<sup>22</sup>. VERT has not transferred regional networks to distribution.
- (61) The Agency notes that the proposed approach adopted by VERT is only partially compliant with the requirement on cost reflectivity laid out in Article 7(b) of the NC TAR. On the one hand, it allows allocating costs of regional networks to domestic exit points<sup>23</sup>. On the other hand, the approach is not compliant with the requirement to apply the same RPM to all entry and exit points in a given entry-exit system laid out under Article 6(3) of the NC TAR.

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'Transmission', as defined under Article 2(3) of the Directive 2009/73/EC, *mainly contains high-pressure pipelines, other than an upstream pipeline network and other than the part of high-pressure pipelines primarily used in the context of local distribution of natural gas, with a view to its delivery to customers, but not including supply;*

'Distribution', as defined in Article 2(5) of the Directive 2009/73/EC, *means the transport of natural gas through local or regional pipeline networks with a view to its delivery to customers, but not including supply*

<sup>21</sup> See the following references to the 2019 ACER Report on Lithuania:

Paragraph 3: "[Regional networks] should be rather classified as transmission or as distribution services, based on Article 2(5) of Directive 2009/73/EC"

Paragraph 84: "The Agency considers that, in the current regulatory framework, the use of the local transmission network should be either considered as a transmission service or reclassified as a distribution service, if the RPM cannot properly allocate the costs of the regional branches to the relevant network users<sup>21</sup>. If VKEKK chooses to reclassify the use of the local network as a transmission service, the same RPM should apply to all part of the transmission network, in particular with only one capacity-commodity split. This approach is encouraged by Article 2(3) and (5) of Directive 2009/73/EC"

<sup>22</sup> In the 2018 consultation, the NRA initially proposed to allocate regional networks as non-transmission.

<sup>23</sup> This is reflected in the Agency's 2021 Report on the Tariff Consultation for Lithuania paragraph 6.

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- (62) The Agency notes that the approach leads to further deviations from other NC TAR rules in ways that might not be fully visible to stakeholders. For example, the Agency notes that the reconciliation of past over-recoveries has not been carried out to all users of the network, but only to users of the regional networks. Such approach is not possible if the reconciliation is carried out using the RPM, as required by Article 20(1) of the NC TAR, and if the RPM is applicable to all points of the network, as required by Article 6(3) of the NC TAR.
- (63) The Agency notes that the principles regarding a single RPM referred to in paragraph (58) above, are fundamental in the context of the planned Finnish-Baltic Market Merger ('FinBalt'). Applying these principles can simplify the market merger, increase transparency, while ensuring the costs reflectivity of tariffs based on connected entry-exit zones.
- (64) Based on the above reasoning, the Agency recommends VERT to change the category of regional networks to distribution, allocating these costs outside the RPM. For this purpose, the Agency recommends that VERT provide a timeline in its motivated decision with the details of the process. The Agency recommends that VERT take into account the timeline for the FinBalt market merger.
- (65) Regarding the proposed approach to setting two tariffs for domestic exits linked to the regional networks, including a tariff for the declared peak capacity ('consumption capacity'), the Agency concludes that such approach is not compliant with the NC TAR. Article 6(3) of the NC TAR requires that the RPM be applied to all network points, and pursuant to Article 6(2) of the NC TAR, "*the application of the reference price methodology shall provide a reference price*". Based on the NC TAR rules it is not possible to set two capacity tariffs for all or for some points.
- (66) At the same time, the Agency notes that such approach to setting tariffs could potentially be possible for distribution services. For this reason, the Agency reiterates its recommendation in paragraph (64) above, to change the category of regional networks to distribution. This would potentially allow maintaining this tariff structure as part of regional networks.

### 4.5 Asset split applicable to the Achema fertilizer plant

- (67) As mentioned in the previous section, VERT proposes a differentiation between tariffs applicable at domestic exits points that are located at regional networks. The result is a differentiation between the main domestic network user of the network (which is the Achema fertilizer plant) and the other domestic users of the network.
- (68) To calculate the tariffs applicable to the exit point to the Achema fertilizer plant (domestic exit point – Achema) and to the exit point to the other domestic network users (domestic exit point) VERT proposes an asset split establishing the costs associated with these separate points and the cost driver of forecasted contracted capacity. The relevant cost values are included in Table 2 above, while the applicable tariffs are provided in Table 4 above.
- (69) In its 2021 Report on the Tariff Consultation for Lithuania, the Agency made the recommendation that VERT should provide a clearer legal base to demonstrate that singling out the domestic exit point - Achema from the other domestic exit points is not discriminatory. In particular, VERT should

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demonstrate that the unit costs of this specific exit stand out in comparison with the other regional exit points to justify a specific tariff treatment. VERT should also clarify on what criteria (e.g. certain level of unit cost) it would base its decision if another consumer requested to be excluded from the equalisation.

- (70) Following this recommendation, VERT provided a comparison of the unit costs in its motivated decision in 2022<sup>24</sup>. The assessment compares the unit costs applicable to the domestic exit point - Achema with the average unit cost of all other exit points located at regional networks. While the comparison is larger, the outcome is summarised in Table 5 below. The result of this comparison is that the cost per unit of capacity of the domestic exit point – Achema is almost 12 times lower than the average cost per unit for the other domestic exit points. VERT’s motivated decision<sup>25</sup> indicated that there are no other domestic exit points comparable to the Achema exit point. Other major users of the system are about three to four times smaller than Achema in terms of long-term annual capacity equivalent.

Table 5: Parameters indicative for unit costs domestic exit points (2022).

	Total regional network	Domestic exit points	Domestic exit point Achema
Regulatory asset base (TEUR)	53,621	50,901	2,719
Booked capacities exit points (MWh/day/year)	105,902	63,902	42,000
Unit cost (EUR per MWh/year)	-	229.9	19.4

- (71) The Agency notes that VERT did not clarify upfront on what criteria it would base its proposal to exclude a domestic exit from the equalisation. When using the unit cost as a criterion, it should be clear which level of unit costs will be singled out. In addition, the analysis provided by VERT does not assess the unit costs of each individual exit point located in the regional networks. As a result, it is not possible to assess whether other exit points have similar unit costs as the domestic exit point Achema. Although the provided information does give a better understanding of the exceptionality of Achema as a user of the Lithuanian transmission network, the Agency underlines that the applied methodology shall be transparent and non-discriminatory. The Agency recommends that VERT completes the recommendation above by specifying and applying in its motivated decision on what criteria a consumer, among which Achema, can be excluded from the equalisation. For this purpose, VERT should, if the unit costs is the criterion, take into consideration the distance at which domestic exit points are located from the transmission network.
- (72) In addition, the Agency notes that a differentiation in tariffs applicable to domestic exit points could be possible as part of distribution. Therefore, the Agency reiterates its recommendation in paragraph (64) above, to change the category of regional networks to distribution,

<sup>24</sup> Certificate on the approval of the prices for the natural gas transmission services of public limited liability company Amber grid for the year 2022, p. 3-4.

<sup>25</sup> Certificate on the approval of the prices for the natural gas transmission services of public limited liability company Amber grid for the year 2022, section II, 2.

#### 4.6 Asset split applicable to the transmission to Kaliningrad

- (73) As in the current methodology, VERT proposes to calculate the tariffs for the transmission to Kaliningrad, more specifically the entry point Kotlovka and the exit point Šakiai, as a conditional product. The capacity booked at the Kotlovka entry point can only be used to transport gas to the Šakiai exit point to Kaliningrad.
- (74) The proposed conditional capacity product is meant to reflect the costs of the transmission service that the Lithuanian network provides between two third countries: Belarus and Russia (Kaliningrad). The tariff for the proposed conditional product is expressed as a discount applied to the tariffs calculated based on the RPM, and are included in Table 6 below. This discount is intended to reflect the underlying costs of the infrastructure used to transport gas between these two points. This approach follows the main recommendations of the 2019 ACER Report on the Tariff Consultation for Lithuania. The Agency appreciates that VERT has followed up this recommendation.

*Table 6: Tariffs applicable to the conditional product connecting the entry point from Belarus and the exit to Kaliningrad.*

EUR/MWh/d/year		2023	2024	2025	2026	2027	2028
Entry	Kotlovka	35.96	35.96	35.96	35.96	35.96	35.96
Exit	Šakiai	46.70	39.43	31.44	60.71	65.22	66.78

- (75) The Agency notes that the existing legacy capacity contract to transport gas to Kaliningrad is valid until 31 December 2025, while VERT proposes tariffs that are applicable until 2028 reflecting the new regulatory period. The Agency points out that any new capacity contract for transmission of Russian gas to Kaliningrad signed beyond 2025, has to be compliant with the NC TAR and, more broadly, with the Third Energy Package
- (76) The Agency also notes that Lithuania no longer imports Russian gas through the entry point from Belarus. VERT explained that the only Russian gas that can enter the Lithuanian network at the Kotlovka entry point is that meant for transmission to Kaliningrad. As a result, at this stage and at least for as long as there is a ban on Russian gas, this entry point, is no longer used to import gas<sup>26</sup>.
- (77) The Agency notes that the proposed tariff applicable to the exit to Kaliningrad increases between 2025 to 2026 by 93%. This is represented in Table 7 below, which depicts the allowed revenue, the booked capacity and the resulting tariffs for the transmission to Kaliningrad. The Table shows how the input parameters for the calculation of tariffs (allowed revenue and capacity) remain stable, while the applicable tariffs for the exit to Kaliningrad increases significantly. In addition, it can be observed that the tariffs for the exit to Kaliningrad increase significantly over time, while tariffs for the remaining exits of the Lithuanian network decrease over the same period. These changes are not explained in the consultation document, which is a requirement according to Article 30(2)(a)(ii) of the NC TAR that requires an explanation of the differences in tariffs for the tariff period for which the information is published and for each tariff period within the remainder of the regulatory period.

<sup>26</sup> See paragraph (32), third point above.

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Table 7 Selected parameters for the calculation of the tariffs applicable for the transmission to Kaliningrad, 2023-28.

	2023	2024	2025	2026	2027	2028
<b>Allowed revenue attributed to transmission to Kaliningrad (TEUR)</b>	11,443	13,322	13,033	12,779	12,789	12,937
<b>Capacity entry Kotlovka (MWh/day/year)</b>	109,200	109,200	109,200	109,200	109,200	109,200
<b>Capacity exit Sakiai (MWh/day/year)</b>	109,200	109,200	109,200	109,200	109,200	109,200
<b>Tariff entry Kotlovka (EUR/MWh/d/year)</b>	35.95	35.95	35.95	35.95	35.95	35.95
<b>Tariff exit Sakiai (EUR/MWh/d/year)</b>	46.70	39.43	31.44	60.71	65.22	66.78
<b>Reference price firm capacity exit Santaka / Kieminaiai (EUR/MWh/d/year)</b>	116.66	67.33	77.67	30.71	30.24	32.17

### 4.6.1 Asset cost split for the transmission to Kaliningrad

- (78) To set tariffs for the transmission to Kaliningrad, VERT identifies assets and costs that are used for this service. The utilisation of the asset drives the split and the calculation includes the following items, which refer to the map in Figure 2 below:
- Assets on the main route for transmission to Kaliningrad (Kotlovka entry point – Šakiai exit point). Costs of these assets are allocated based on a split proportional to the peak daily quantities<sup>27</sup> used for either regular transmission or transmission to Kaliningrad. Since the pipelines from the Kotlovka entry point to the point in the network where other gas flows can enter this route is mainly used for transmission to Kaliningrad, 99% of these costs are allocated to transmission to Kaliningrad. From this ‘intersection’ point to Šakiai exit point the split varies between 50% up to 100% for the pipelines on the border with the Kaliningrad district.
  - Since the network segment between the Kieminaiai entry point (point B in the map) and the intersection in point 5 is used as back-up route for the transmission to Kaliningrad, VERT proposes to allocate part of the costs of this network segment to the transmission to Kaliningrad. In calculations provided to the Agency, VERT explained that 42% of the costs of this route are allocated to the transmission to Kaliningrad. From 2018 to 2022 there were five periods, totalling 72 days, during which gas was transported to Kaliningrad using this network segment.
  - For new assets partly dedicated to transmission to Kaliningrad, the split would be decided by VERT in its corresponding decision approving the new investment,
  - Some other smaller costs are also partially allocated to transmission to Kaliningrad (e.g. a share of maintenance and engineering costs, taxes, etc).
- (79) According to VERT’s calculation, the share of assets used to transport gas to the Kaliningrad District represents about 20% (EUR 55,4 million) of the total regulatory asset base in 2022<sup>28</sup>, and, as marked in Table 2, 14% (EUR 13.3 million) of the total indicative allowed revenue in 2024.

<sup>27</sup> Based on historical medium-term data.

<sup>28</sup> Certificate on the approval of the prices for the natural gas transmission services of public limited liability company Amber grid for the year 2022, p. 2.

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Figure 2. Map of the Lithuanian transmission network.



### 4.6.2 ACER conclusion on the proposed tariffs for the transmission to Kaliningrad

- (80) The Agency recommends that VERT provide sufficient clarity on the criteria used for the asset split and on the resulting costs and assets that are allocated to the transmission to Kaliningrad. Given the complexity of this calculation, the Agency considers that VERT should publish the quantitative details of this calculation in an annex to its decision to prove that the principle of cost-reflectivity is respected (in particular the break-down of the regulated asset base and of the allowed revenue). VERT should particularly justify the criteria supporting the allocation of 42% of the costs for the assets between the Kiemenai entry point (point B in the map) and the intersection in point 5 taking into account the limited use of this branch for transmission to Kaliningrad.
- (81) The Agency further recommends to clarify the changes in tariffs applicable to the exit to Kaliningrad, which experience a significant increase between 2025 and 2026. In addition, the Agency recommends that VERT motivate the opposing evolution of tariffs applicable at the exit point to Kaliningrad (increasing over time) and the remaining transmission exits (decreasing over time). This is a requirement according to Article 30(2)(a)(ii) of the NC TAR.

### 4.7 Revenue reconciliation

- (82) The Agency understands that the over-recovery accumulated in the years 2020 to 2023 had been reconciled only to domestic exit points and not to other entry and exit point via the RPM. Table 8 below show the values that were reconciled during this period.

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Table 8: Regulatory account 2020-2023

	TEUR	2020	2021	2022	2023
Regulatory account		9,359	3,103	17,026	10,867
Regulatory account used for the tariff year		9,359	3,103	17,026	10,867
Net value of regulatory account		0	0	0	0

- (83) The Agency notes that, according to Article 20(1) of the NC TAR, “*the full or partial reconciliation of the regulatory account shall be carried out in accordance with the applied reference price methodology and, in addition, by using the charge referred to in Article 4(3)(b), if applied*”. The under- or over- recoveries should be an input to the RPM and should be allocated to all points of the network unless Article 4(3)(b) of the NC TAR, on the application of a complementary revenue recovery charge, is applied.

### 4.8 Comparison with the capacity weighted distance methodology

- (84) VERT provides a detailed comparison of the postage stamp reference prices with those from the counterfactual CWD methodology in Section 5.1.8 of the consultation document. The counterfactual CWD methodology with a 50-50 entry-exit split is applied without the adjustments and the asset splits used by VERT in its proposed RPM.
- (85) The Agency notes that the values presented in the excel file included in the consultation and in the consultation document differ. VERT should clarify this difference in its motivated decision. The Agency follows the data presented in the excel file for this analysis, which is summarised in Table 9 below.
- (86) Overall, the Agency notes that the main difference between both calculations is the higher tariffs resulting from the CWD methodology applicable to points that are subject to an asset split: the exit point to Achema (+33%), the entry from Belarus (+235%) and the exit to Kaliningrad (+140%). These points account for 46% of the contracted exit capacity. The proposed asset splits allocates the costs of this infrastructure only to its users, while the CWD allocates the costs associated to these points across all network points. The tariff structure proposed by VERT is therefore more cost-reflective compared to the CWD methodology.
- (87) In addition, the tariffs calculated based on the CWD methodology lead to a lower tariff at regional exit points (-49%). This comparison is not complete as the tariff structure proposed by VERT includes a further tariff component applicable to regional networks. The difference between the tariffs at regional exit points resulting from both methodologies should narrow down when comparing all the applicable tariffs.
- (88) The Agency further notes that the tariffs applicable to exit IPs are higher in the CWD methodology (exit to Latvia +78%, exit to Poland +108%).
- (89) The comparison shows that the proposed tariff structure improves the cost-reflectivity of the tariffs derived using the CWD as a result of the applied asset splits. This advantage should be weighted

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against the additional complexity that the approach brings and reviewed on the basis of broader compliance with the NC TAR, as discussed in this report.

Table 9: Comparison between the proposed tariffs and the tariffs derived using the CWD methodology.

Reference prices for 2024 (EUR/MWh/day/year)		Proposed Postage Stamp Methodology	CWD Methodology	Percentage change	Forecasted contracted capacity (MWh/day/year)
Entries	Kotlovka	142.77	120.39	235%	109,200
	Kotlovka (for transmission to 3rd (non-EU) country service)	35.96			
	Kiemėnai	142.77	133.57	-6%	
	Klaipėda (LNG)	142.77	140.28	-2%	
	Santaka (GIPL)	142.77	106.33	-26%	
Exits	Kiemėnai	67.33	119.60	78%	60,635
	Šakiai	39.43	94.68	140%	109,200
	Domestic Exit Point	201.18	101.95	-49%	56,008
	Domestic Exit Point - Achema	80.72	107.08	33%	34,486
	Santaka (GIPL)	67.33	137.57	104%	54,972

### 4.9 Cost allocation assessment

- (90) VERT calculates the CAA for the proposed capacity-based tariffs using two scenarios:
- Excluding the transmission to Kaliningrad and the regional networks. The result of the CAA is 0%.
  - Including the transmission to Kaliningrad and the regional networks. The result of the CAA is 119%.
- (91) The result of the CAA including the transmission to Kaliningrad and the regional networks is above the 10% threshold indicated in Article 5 of the NC TAR. Conceptually, the CAA compares the unit costs of the infrastructure used for cross-system and intra-system gas transport. Given that the proposed asset splits lead to tariffs that reflect the underlying costs of the relevant network segments, the applicable tariffs are more cost-reflective compared to a methodology where no asset splits are applied. This is particularly applicable to the entry points from Belarus and the exit to Kaliningrad, which have lower costs than the rest of the network. This outcome is reflected in the CAA in the form of a high result (i.e. 119%), which shows that the unit costs for cross-system use (mainly related to the transmission to Kaliningrad) are much lower than to the unit costs of the intra-system use of the network.
- (92) The Agency concludes that the higher CAA result reflects the differentiation resulting from the proposed asset splits. While the approach is, overall, cost-reflective, it comes at the price of additional complexity of the calculation and should be reviewed on the basis of broader compliance with the NC TAR, as discussed in this report.

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- (93) The Agency recommends that VERT calculate the CAA for the following scenarios. In particular, the second and third scenarios should allow assessing separately the effects of regional networks and of the transmission to Kaliningrad on the CAA.
- CAA considering only the tariffs applicable to the transmission network. This scenario is already provided in the consultation.
  - CAA considering the tariffs applicable to the transmission network and to the transmission to Kaliningrad.
  - CAA considering the tariffs applicable to the transmission network and to regional networks.
  - CAA considering the tariffs applicable to all points. This scenario is already provided in the consultation.

## 5. Compliance

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

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

#### 5.1.1 Transparency

- (95) **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.
- (96) The Agency considers that the dataset and the simplified tariff model published by VERT allow network users to understand and reproduce the reference prices and their forecast from 2024 to 2028. In addition, network users can change the input variables and input their own assumptions. The Agency finds the simplified tariff model in line with the requirements of Article 30(2)(b) of the NC TAR.
- (97) As referred to in section 4.6 above, VERT does not provide a complete explanation of the evolution of the proposed tariffs and of the significant changes, as required by Article 30(2)(a)(ii) of the NC TAR of the NC TAR. The Agency refers to the above recommendation to provide this information as part of the final consultation in order to fully comply with the requirement on transparency.

#### 5.1.2 Cost-reflectivity

- (98) 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 cost-reflectivity of the tariff structure depends on several features of the proposal made by VERT.
- (99) First, in relation to the proposed asset splits, the Agency notes that the cost-reflectivity of the proposed tariff structure depends on the criteria applied when performing these asset splits. These

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criteria should additionally be made transparent and available to the public. The Agency notes that, in the following instances, the information provided was insufficient or was insufficiently justified:

- Assets allocated to the transmission to Kaliningrad, particularly the assets related to the pipeline segment between Kiemėnai and point 5 in map in Figure 2 as explained in paragraph (78).
- Criteria for the allocation of the compressor stations' CAPEX and OPEX to the Lithuanian transmission network and to the transmission to Kaliningrad.

- (100) VERT shared with the Agency additional information not included in the consultation document. While this information was instrumental to understand the rationale behind the choices made by VERT when performing the asset splits, it was not sufficient to fully assess the compliance with the principle of cost-reflectivity. The Agency recommends that the information listed in paragraph (99) above be published by the NRA as part of its motivated decision.
- (101) Second, the Agency could not fully assess the impact the proposed tariff structure for regional networks has on cost-reflectivity. This report assesses the proposed capacity tariffs and consumption capacity tariffs applicable at domestic exits located within the regional networks in section 4.4.1. The cost-reflectivity of the proposed tariffs for regional networks is not fully assessed in the consultation document. The Agency notes, as laid out in paragraph (65), that the cost-reflectivity of these tariffs should be based on the application of a single capacity tariff at exit points.
- (102) Third, on the reconciliation of the regulatory account, the Agency notes that the practice to reconcile over- and under- recoveries as performed between 2020 to 2023 is not compliant with Article 20(1) of the NC TAR. The over-recovery of revenue was reconciled only to domestic exit points (i.e. regional networks). This approach is not compliant with the requirement on cost-reflectivity as it creates a cross-subsidy between users of cross-border points of the networks and end-users of the network. The Agency refers to the recommendation in paragraph (83) on the reconciliation of the regulatory account.
- (103) Overall, the Agency concludes that the proposed tariff structure is not fully compliant with the requirement on cost-reflectivity.

### 5.1.3 Cross-subsidisation

- (104) **Article 7(c)** of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation.

#### 5.1.3.1 Cross-subsidisation

- (105) For this analysis, the Agency defines 'cross-subsidisation' as a deviation from cost-reflectivity whereby users of the entry-exit system are charged tariffs that differ from the costs they cause to the system.
- (106) The compliance of the proposed tariff structure with the principle of cross-subsidisation is subject to the same considerations made on the previous section on cost-reflectivity. The Agency concludes that the proposed tariff structure is not fully compliant with the requirement on cross-subsidisation.

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### 5.1.3.2 Non-discrimination

- (107) For this analysis, the Agency defines 'discrimination' as 'applying different rules to comparable situations or the same rule to different situations'. The Agency highlights that the allocation of all transmission costs via a single RPM to all entry-exit points minimises the possibility of discrimination.
- (108) VERT proposes an asset split to allocate the specific costs associated with the domestic exit to the Achema fertilizer plant. The Agency issued a recommendation on this point in the 2021 Report on the Tariff Consultation for Lithuania and assesses the topic in section 4.5 of this report. The Agency finds that the information provided by VERT is not sufficient to validate that the unit costs of the exit to the Achema fertilizer plant stand out compared to all other regional exit points. The Agency can therefore not conclude that the proposed tariff is compliant with the requirement on non-discrimination.

### 5.1.4 Volume risk

- (109) **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.
- (110) The Agency refers to the analysis provided in the 2021 Report on the Tariff Consultation for Lithuania. VERT proposes to shield Lithuanian consumers from a potential cross-border volume risk associated to the transmission to Kaliningrad by isolating the costs related to the pipeline route between Belarus and the Russian district of Kaliningrad. The asset split proposed by VERT and the tariffs of the conditional capacity product proposed at the Kotlovka entry and at Šakiai exit deriving from this split are compatible with the principle of cost-reflectivity. At the same time, as noted in paragraphs (99) VERT should further justify the asset split for the transmission to Kaliningrad, in addition to providing additional transparency.
- (111) The Agency further recommends that the NRA consider establishing a regulatory sub-account with the aim of reconciling the under- and over- recovery associated to the transmission to Kaliningrad only to users of this network segment. This measure can help prevent that the volume risk associated with this transmission route to Kaliningrad is allocated to final customers within the entry-exit system.

### 5.1.5 Cross-border trade

- (112) **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade.
- (113) The compliance of the proposed tariff structure with the principle of cross-border trade is subject to the same considerations made on the previous section on cost-reflectivity. In particular, the approach adopted for the reconciliation of revenue has a negative impact on tariffs set at cross-border points. The compliance with the requirement on cost-reflectivity is subject to the reconciliation of under- and over- recoveries as laid out under Article 20(1) of the NC TAR.

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

- (114) 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.
- (115) VERT proposes to apply a flow-based charge to allocate the compression costs. Given the volatility in energy prices, VERT proposes a variable capacity-commodity split reflecting the changes in energy costs. For the year 2024, the indicative commodity-based transmission tariffs form 30% (EUR 27.8 million) of the total allowed revenue after reconciliation.
- (116) The flow-based charge is applied to all exit point of the transmission network, including the Šakiai exit point to Kaliningrad. VERT proposes to apply a different commodity tariff at the Santaka exit to Poland than at the other exit points. The values are represented in Table 10 below. VERT justifies this differentiation as a means to make the commodity tariff at this point reflective of the underlying costs of the gas flows to Poland. In exchanges with the Agency, VERT explained that due to the significant changes in gas flows, the compressor station is nowadays more used to flow gas to Poland than what it was originally designed for.

*Table 10: Commodity-based tariffs, EUR/MWh (indicative prices)*

	2024	2025	2026	2027	2028
All exit points of the transmission network, excluding Santaka (GIPL)	0.20	0.22	0.09	0.07	0.07
Santaka (GIPL) exit point <sup>29</sup>	1.25	1.12	0.60	0.49	0.49

- (117) The proposed flow-based charge does not meet the criteria set in Article 4(3) of the NC TAR, which requires that the charge should be set in such a way that it is the same at all exit points. The compliance with the remaining requirements for setting the flow-based charge are summarised in Table 11 below.

*Table 11 Criteria Article 4(3a)*

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, and	Yes
set in such a way that it is the same at all entry points and the same at all exit points	No. The flow-based charge is not the same at all exit points
expressed in monetary terms or in kind	Yes

- (118) The Agency recommends that VERT apply the same charge at all exits, as required by Article 4(3) of the NC TAR.

<sup>29</sup> The commodity tariff is based on the commodity tariff for all exit points plus an additional component for the Santaka exit point to Poland.

## 6. Other comments

### 6.1 LNG Security of Supply Supplement

- (119) In addition to the tariff structure proposed for the Lithuanian transmission network, the Agency here provides a description of the proposed levy allocating costs related to the LNG imports to Lithuania. The Agency provided a first description in its 2020 Report *The Internal Gas Market in Europe: The Role of Transmission Tariffs* of the different levies allocated at transmission network to recover various costs, including those related to LNG<sup>30</sup>. This section updates the information provided there and reports on the changes of the levy allocated to network users.
- (120) The LNG Security of Supply Supplement ('LNG SOS Supplement') is linked to the functioning of the Klaipėda LNG terminal that started to operate in November 2014 with the aim to diversify gas supply sources, allowing greater competition in the market and putting downwards pressure on prices for Lithuania<sup>31</sup>. The supplement is collected by the TSO.
- (121) The TSO publicly announces the amounts of the LNG SoS Supplement collected and paid during each calendar month, as well as the level of funds in its possession during each calendar year. With the exception of the administrative costs (described below), the costs are not part of the allowed revenue of the TSO, but are transferred to the LNG terminal operator and to the designated supplier upon instruction by the NRA<sup>32</sup>.
- (122) The NRA establishes an LNG SoS Supplement charge that is allocated to all domestic exit points of the Lithuanian network<sup>33</sup>. The levy is set proportionally to the consumption capacity (declared peak capacity) of the transmission network and it serves to allocate various costs as prescribed in the Lithuanian Law on the LNG terminal. The LNG Security of Supply scheme has been approved by the European Commission.<sup>34</sup>
- (123) First, regasification costs. From 1 May 2022, the methodology for calculating the regasification tariffs<sup>35</sup> has been changed and the regasification price is now fully cost-based and not subject to a support scheme, as it happened previously. Therefore, as long as the LNG terminal is fully utilized, there is no need for LNG regasification costs to be included in the LNG SoS Supplement. When fully booked, the terminal does not need a support scheme partially covering the LNG terminal cost. In case that not all LNG terminal costs would be fully covered due to unbooked regasification capacity, the uncovered amount of annual LNG terminal costs would be included into LNG SoS

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<sup>30</sup> Page 43 of this report provided a description of the levy to allocate LNG costs in the Lithuanian network.

<sup>31</sup> For an extensive description of the Lithuanian case, see section 4.4 of the [CEER Report How to Foster LNG Markets in Europe, 24 July 2019](#).

<sup>32</sup> This is either done directly from the user or from suppliers of natural gas in case the user has no direct contractual relation with the TSO

<sup>33</sup> The TSO must administer the LNG SoS Supplement in separate accounts and through a bank account dedicated to the LNG SoS Supplement administration.

<sup>34</sup> [https://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=3\\_SA\\_44678](https://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_44678)

<sup>35</sup> These tariffs are paid by LNG terminal users for regasification of LNG volumes.

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Supplement. This assessment can be performed ex-ante as the level of booked capacity is visible when concluding the allocation procedure.

- (124) Second, Designated Supplier costs. The aim of the levy is to create a level playing field for the Designated Supplier to operate in the market while fulfilling its minimum offtake obligations to ensure the continuity of the technical operation of the LNG terminal. In the past, if the price of LNG under the contract was above the Lithuanian market price, the Designated Supplier would be exposed to losses when supplying the market. To prevent this situation, the levy socialises the following costs:
- Difference between import price of the LNG Mandatory Quantity supplied by the Designated Supplier under the contract and the Lithuanian market price (calculated by the NRA as a monthly weighted average import price of natural gas).
  - Boil-off gas costs<sup>36</sup>.
  - Long-term guarantee issued by the Designated Supplier as a guarantee for the long-term contract extending up to 2024.
- (125) Third, administrative costs. The TSO is responsible for recovering the levy through network charges. The TSO administration expenses are a part of LNG SoS Supplement, and are not included in the allowed revenue of the TSO. VERT indicated that the annual amount of administration costs cannot exceed EUR 144.810 and it covers mainly wages and legal costs (e.g. related to ongoing legal cases for delayed payments).
- (126) In the current energy crisis, changes in prices have impacted the Designated Supplier costs. In 2022 there were several months when the price of the LNG regasification mandatory quantities was lower than the average wholesale price. Therefore, the price difference calculated by the NRA turned out to be negative, implying that the Designated Supplier would have to return a part of the margin to network users. This negative adjustment was used to compensate the other levy components: the administrative costs, the boil-off gas costs and the long-term guarantee for 2023. The resulting amount to be recovered via the levy for 2023 is set to zero. This is shown in Table 12 below.

Table 12 Cost components of LNG SoS Supplement in 2019-2023 (TEUR)

	2019	2020	2021	2022	2023
<b>AB Klaipėdos nafta – Regasification costs</b>	65 467	32 612	26 486	8 745*	0*
<b>UAB Ignitis –Designated Supplier costs</b>	28 251	25 010	33 997	17 964	-69
<b>AB Amber Grid - Administrative costs</b>	74	65	74	61	69

\*From May 2022 all LNG terminal costs are covered by LNG terminal users

- (127) The Agency notes that the description provided in this analysis is for information and does not represent an analysis on the compliance of the LNG SoS Supplement.

<sup>36</sup> This includes (a) all factual boil-off costs experienced by the Designated Supplier during the periods when the Designated Supplier is the only user of the LNG terminal; and (b) the difference between the actual boil-off costs experienced by Designated Supplier and an average of boil-off costs experienced by other LNG Terminal users during the periods when the Designated Supplier is not the only user of the LNG terminal.

- (128) The Agency remarks in general that applying such a charge for costs unrelated to transmission activities, could lead to undue cross-subsidies between gas consumers, could distort competition between gas sources and should be proportionate with the objectives as to not reduce the incentives for infrastructure operators to be cost-efficient.<sup>37</sup>

## 6.2 Regional market integration

- (129) VERT's proposal for an RPM partially anticipates the merger of the networks of Lithuania with the ones in Finland, Estonia and Latvia (FINESTLAT). Based on the latest information received by the Agency, the start of a FinBalt market merger will take place no earlier than 1 October 2024. The relevant TSOs are requested to submit by 31 March 2023 to the relevant NRAs an inter-TSO compensation mechanism ('ITC') proposal taking into account changes in infrastructure and gas flows and the need to ensure benefits to all participating countries. After their assessment, the NRAs will publicly consult the new proposal as long as there is a consent among the involved Member States to go forward with the regional integration. According to the Agency's understanding, at this stage there is no concrete timeline for this process.
- (130) The Agency supports the idea of creating a larger regional gas market. It has issued recommendations for the regional market merger in the 2019 Report on the Tariff Consultation for Estonia<sup>38</sup> and in the 2019 Report on the Tariff Consultation for Latvia<sup>39</sup>. The Agency recommends that VERT and the FINESTLAT NRAs take into account these recommendations when progressing with the market integration. Amongst others, this implies that the ITC mechanism should be publically consulted and that the resulting tariff structure should be based on a cost-benefit analysis to allocate the costs and the benefits of the regional gas infrastructure across Member States.

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<sup>37</sup> [ACER Report The internal gas market in Europe: The role of transmission tariffs, Volume I](#), 6 April 2020, page 36.

<sup>38</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Estonia.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20report%20-%20analysis%20of%20the%20consultation%20document%20for%20Estonia.pdf)

<sup>39</sup> [https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Latvia.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Latvia.pdf)

## Annex 1: Legal framework

(87) 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.*

(88) 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:*

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- (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.*

(89) 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;*

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*(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.*

(90) 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.*

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

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

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

- (i) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;*
- (ii) calculated on the basis of forecasted or historical flows, or both, and set in such a way that it is the same at all entry points and the same at all exit points;*
- (iii) expressed in monetary terms or in kind.*

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

- (i) levied for the purpose of managing revenue under- and over-recovery;*
- (ii) calculated on the basis of forecasted or historical capacity allocations and flows, or both;*

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*(iii) applied at points other than interconnection points;*

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

(92) 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
<b>ACER</b>	Agency for the Cooperation of Energy Regulators
<b>ENTSOG</b>	European Network of Transmission System Operators for Gas
<b>NRA</b>	National Regulatory Authority
<b>TSO</b>	Transmission System Operator
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>MS</b>	Member State
<b>NC TAR</b>	Network code on harmonised transmission tariff structures for gas
<b>IP</b>	Interconnection Point
<b>VIP</b>	Virtual Interconnection Point
<b>RPM</b>	Reference Price Methodology
<b>CWD</b>	Capacity Weighted Distance
<b>CAA</b>	Cost Allocation Assessment
<b>RAB</b>	Regulated Asset Base
<b>OPEX</b>	Operational Expenditures
<b>CAPEX</b>	Capital Expenditures