Energy Regulatory Office

CONSULTATION DOCUMENT
pursuant to Article 28 of the Commission Regulation (EU) 2017/460 of 17 March 2017 establishing a network code on harmonized transmission tariff structures for gas

Warsaw, 14 October 2019

1. Legal basis[1]

On 6 April 2017, the Tariff Code[2] came into force and it has been applied since that date, with the exception of the provisions of Chapters VI and VIII, which have been applied since 1 October 2017 and Chapters II, III and IV, which have been applied since 31 May 2019.

The purpose of the Tariff Code is to harmonize the transmission tariff structures of the Member States' operators and to determine certain tools enabling the comparison of transmission tariffs applied in the EU, while maintaining flexibility of the selection of the reference price methodology elements, allowing adjustment to the maturity level of a given market and the level of transmission network complexity.

Pursuant to Article 23 item 2 section 11a of the Energy Law Act, the scope of activity of the President of ERO includes, among others, (...) performance of the regulatory authority's obligations arising from ordinances adopted based on Article 8 and Article 23 of Regulation 715/2009[3] (including the Tariff Code).

The following, 2nd consultation with the regulatory authorities of all directly connected EU Member States and with relevant stakeholders, results from the President of ERO obligations set out in article 28 of the Tariff Code, refers to:

a) the level of multipliers,

b) the level of seasonal factors and their calculations specified in Article 15 of the Tariff Code,

c) the levels of discounts at entry points from the LNG terminal and discounts applied to calculate the reserve prices for standard capacity products for interruptible capacity set out in Article 9 item 2 and Article 16 of the Tariff Code,

for the transmission network of Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., hereinafter referred to as “the Operator" or "the TSO", and the transmission network owned by the energy company SGT EuRoPol GAZ S.A., hereinafter referred to as "EuRoPol GAZ", on which the Operator performs the function of a gas transmission system operator, based on the decision of the President of ERO of 17 November 2010 ref. no. DPE-4720-4(8)/2010/6154/BT.

First consultation in a above scope was carried out from 31 August till 31 October 2018.

Once the consultations had been completed, pursuant to Article 41 (6) (a) of Directive 2009/73/EC, on 29 March 2019 the President of ERO issued and published a reasoned decision (the Communiqué)[4] relating to the aspects referred to in article 28 sections a)-c) of the Tariff Code. The Communiqué was included in a calculation of 2020 tariffs for the Operator and EuRoPol GAZ respectively. Pursuant to article 28 paragraph 2 of the Tariff Code the subsequent consultations shall be conducted every tariff period as from the date of the above mentioned Communiqué.

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[1] In case of any inconsistencies between the Polish and English version of the hereby document, the Polish version shall prevail,

[2] Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas (OJ L 72 of 17.03.2017, p. 29),

[3] Commission Regulation (EC) 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (OJ L 211 of 14.08.2009, p. 36).

[4] https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/konsultacje-art-28-nc-t/7848,Konsultacje-w-zakresie-rabatow-mnoznikow-i-wspolczynnikow-sezonowych-do-taryf-na.html.

2. Implementation

2.1. Deadlines

This document has been developed and published under consultation carried out by the President of ERO for gas transmission tariffs, with respect to (1) the transmission network owned by the TSO and (2) the transmission network owned by EuRoPol GAZ. Consultation document will be published on ERO's website whereas national regulatory authorities of all directly connected Member States will be informed in writing. During the consultation process spanning from **14 October to 14 December 2019**, stakeholders may send their comments to an e-mail address: **drg@ure.gov.pl** entering in a message title **" Article 28 of NC TAR consultation – 2021".**

Comments that will be submitted should include reasoning (optionally references to analysis, comparisons and papers on which they are based on). Data submitted to the President of ERO containing company's sensitive commercial information that must not be revealed to third parties should be marked.

Once the consultation has been completed, the President of ERO, pursuant to Article 28 items 2 and 3 of the Tariff Code, shall take a decision relating to the aspects referred to in Article 28 item 1 of the Tariff Code with respect to the transmission network of the TSO and the network owned by EuRoPol GAZ, considering the positions of the regulatory authorities of directly connected Member States.

The decision shall be published in the form of the President of ERO communiqué by the end of March 2020.

2.2. Important factors of these consultations

When taking a decision on the consulted aspects, the President of ERO takes into account the responses received under the consultation, and the following aspects:

a) with regard to multipliers:

- the balance between facilitation of short-term gas trading, and providing long-term signals for efficient investment in the transmission system,
- the impact on the transmission services revenue and its recovery,
- the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices,
- situations of physical and contractual congestion,
- the impact on cross-border flows,

b) with regard to seasonal factors:

- impact on facilitating the economic and efficient utilisation of the infrastructure,
- the need to improve the cost-reflectivity of reserve prices.

Both the Operator and EuRoPol GAZ will take into account the decision of the President of ERO on the consulted aspects in the calculation of tariffs for gas transmission services submitted for approval. These provisions will apply to settlements with users of the transmission system.

3. Polish natural gas transmission system

The Polish natural gas transmission system consists, in particular, of the transmission system owned by the TSO and the transmission system owned by EuRoPol GAZ.

The TSO holds a licence for the transmission of gaseous fuels in the territory of the Republic of Poland, granted by the decision of the President of ERO of 30 June 2004, ref. no.: PPG/95/6154/W/2/2004/MS (as amended).

By the decision of 23 June 2006, ref. no.: DPE-47-4(2)/6154/2006/BT (as amended), the President of ERO designated the TSO as the operator of the gas transmission system in the territory of the Republic of Poland for the period up to 31 December 2030. Then, by the decision of 17 November 2010, ref. no.: DPE-4720-4(8)/2010/6154/BT, the President of ERO, ex officio, designated the TSO as the operator of the gas transmission system on the section of the Yamal-Western Europe gas pipeline, located in the territory of the Republic of Poland, whose owner is EuRoPol GAZ, for the period up to 31 December 2025.

The current way of functioning of the part of the transmission system owned by EuRoPol GAZ is also affected by acquired rights related to the so-called historical contracts. This issue is regulated by the Act of 26 July 2013 amending the Energy Law Act and certain other acts (Journal of Laws of 2013 item 984) – hereinafter referred to as "the Amending Act".

Pursuant to Article 22 item 1 of the amending Act, energy enterprises, which were owners of the transmission network as at 3 September 2009, maintained the right to execute contracts on providing gaseous fuels transmission services, concluded before that date, until they expire, with no option to be extended. At the same time, as stipulated in Article 23 of Amending Act, to the contracts on entrusting the duties of the gas transmission system operator, concluded before the entry into force of the amending Act, the current provisions shall apply until the expiry of the contracts referred to in Article 22 of Amending Act (that is the so-called historical contracts). The need for such rules arose from the necessity to protect acquired rights. This solution has been accepted in the TSO certification process by the European Commission.

As a result, during the transitional period (that is during the period when historical gas transmission contracts remain valid), both the Operator and EuRoPol GAZ, pursuant to Article 47 item 1 of the Energy Law Act, according to the licences held, calculate separate tariffs with respect to own transmission networks and submit them to the President of ERO for approval. In connection with the above, also the consultation referred to in Article 28 item 1 sections a)-c) of the Tariff Code, during the transitional period, is conducted separately in the scope of TSO and EuRoPol GAZ tariffs.

Tariffs for gas transmission services for 2020 for the above mentioned enterprises have been approved, taking into account *the Communiqué of the President of the ERO No. 24/2019 of 29 March 2019 concerning multipliers, seasonal factors and discounts, referred to in article 28(1)(a) to (c) of the Tariff Code, to be taken into account in the tariffs calculation for gaseous fuels transmission services for the period from 1 January 2020 to 31 December 2020.* However, the results of this consultation, will be included in tariffs for 2021 and in a publication made by the Operator pursuant to Article 29 of the Tariff Code, that is no later than 30 days before the annual capacity auction, which will take place in July 2020.

4. Consultations regarding the TSO tariff

4.1. Multipliers referred to in Article 28 item 1 section a) of the Tariff Code

In Article 13 item 1 of the Tariff Code, the permissible values of multipliers for the following capacity products have been specified:

- quarterly and monthly standard capacity products - not less than 1 and not more than 1.5;
- daily and within-day standard capacity products - not less than 1 and not more than 3 (in duly justified cases, the level of multiplier may be less than 1, but higher than 0, or higher than 3).

The proposed multiplier values for standard capacity products are shown in Table 1.

Table 1. Values of multipliers for standard capacity products proposed for the year 2021.

Gas transmission service	Within-day	Daily	Monthly	Quarterly
Multiplier	2,20	2,20	1,45	1,27

The above multipliers fall within the allowable ranges specified in the Tariff Code and will be applied both at interconnection points with EU Member States, interconnection points with third countries[5] and at internal points of the gas transmission system (for E-gas[6] and L-gas[7]).

4.2. Justification of the proposed level of multipliers

The calculated multiplier values are intended to incentivize gas system users to book long-term capacity products that contribute to generating the right signals with respect to directions of transmission system development. At the same time, they are to provide market participants with the possibility of using the transmission system flexibly by adjusting the booked capacity in the course of the year with products of shorter duration. The level of multipliers is also intended to reflect a possible risk of lost profits from sales of products shorter than one year in tariffs for short-term capacity products.

Adopting too low level of multipliers would result in a decreased tariff for short-term standard capacity products, and this would alter the structure of the capacity contracts portfolio towards the increased share of short-term products. Reducing the tariff of short-term contracts would increase the financial risk of the Operator's functioning and could expose it to financial losses.

Considering the need to ensure a balance between facilitating short-term gas trading on the one hand, and ensuring long-term signals for efficient investment in the transmission system on the other, as well as levels of correction factors[8] used in 2020 tariffs (*see* Table 4), it was decided to accept the value of multipliers from the higher half of the ranges, referred to in Article 13 item 1 of the Tariff Code (as in Table 1).

[5] Referred to in article 2 paragraph 1 of the Tariff Code, i.e. with Belarus and Ukraine,

[6] E – high methane natural gas – E group,

[7] L – low methane natural gas – L group, subgroup L_w.

[8] The concept of the "correction factors" has been applied in the TSO tariffs and originated from the Regulation of the Minister of Energy of 15 March 2018 on detailed terms for structuring and calculation of tariffs and billing in trade in gaseous fuels (Journal of Laws of 2018, Item 640), hereinafter referred to as "Tariff Regulation". Referring this concept to the conceptual framework of the Tariff Code, it should be noted that in practice they are the product of the relevant multipliers and seasonal factors specified in the Tariff Code.

4.3. Seasonal factors referred to in Article 28 item 1 section b) of the Tariff Code

In order to increase the optimization of the use of the system by generating incentives to use the transmission network in periods of lower demand for capacity, reported by system users, seasonal factors will be applied.

Proposed levels of seasonal factors for particular types of capacity products are shown in Table 2.

Table 2. Seasonal factors proposed for the year 2021.

Month \ Product type	Within-day	Daily	Monthly	Quarterly
October	0,97	0,97	0,97	
November	1,08	1,08	1,08	1,07
December	1,16	1,16	1,16	
January	1,18	1,18	1,18	
February	1,16	1,16	1,16	1,17
March	1,18	1,18	1,18	
April	0,91	0,91	0,91	
May	0,86	0,86	0,86	0,87
June	0,83	0,83	0,83	
July	0,84	0,84	0,84	
August	0,87	0,87	0,87	0,85
September	0,84	0,84	0,84	

The seasonal factors have been calculated in accordance with the methodology set out in article 15 of the Tariff Code based on gas volumes delivered in 2018 to exit points of E-gas and L-gas transmission systems (excluding gas volumes sent to exit points to UGS). The used parameters have been selected in such a way that the product of the multiplier and the corresponding seasonal factor gives a value similar to the correction factors applied so far. Detailed calculations are presented in enclosures 1-3. In case of quarterly capacity products, the option referred to in article 15 item 5 section a) subsection (i) of the Tariff Code was adopted (arithmetic mean of individual seasonal factors applied over a period of three months).

Table 3 shows the calculated levels of "correction factors", which are the product of the above-mentioned multipliers for each capacity product type (Table 1) and seasonal factors (Table 2) defined in the Tariff Code.

Table 3. Calculated "correction factors" for standard capacity products for 2021.

Month \ Product type	Within-day	Daily	Monthly	Quarterly
October	2,13	2,13	1,41	
November	2,38	2,38	1,57	1,36
December	2,55	2,55	1,68	
January	2,60	2,60	1,71	
February	2,55	2,55	1,68	149
March	2,60	2,60	1,71	
April	2,00	2,00	1,32	
May	1,89	1,89	1,25	1,10
June	1,83	1,83	1,20	
July	1,85	1,85	1,22	
August	1,91	1,91	1,26	1,08
September	1,85	1,85	1,22	
Average	**2,18**	**2,18**	**1,44**	**1,26**

Values of correction factors having been included in the 2020 tariff are presented in Table 4.

Table 4. Correction factors for standard capacity products from the tariff for 2020.

Month \ Product type	Within-day	Daily	Monthly	Quarterly
October	2,2440	2,2440	1,4790	
November	2,4200	2,4200	1,5950	1,3843
December	2,5520	2,5520	1,6820	
January	2,6620	2,6620	1,7545	
February	2,4200	2,4200	1,5950	1,4224
March	2,3100	2,3100	1,5225	
April	2,1780	2,1780	1,4355	
May	1,9580	1,9580	1,2905	1,1430
June	1,8040	1,8040	1,1890	
July	1,8920	1,8920	1,2470	
August	1,8260	1,8260	1,2035	1,0795
September	1,9140	1,9140	1,2615	
Average	**2,1817**	**2,1817**	**1,4379**	**1,2573**

The arithmetic average of the products of the relevant seasonal factor (Table 2) and the multiplier (Table 1), calculated in accordance with Article 13 item 2 of the Tariff Code, falls within the permissible ranges specified in Article 13 item 1 of the Tariff Code.

The adopted multipliers and seasonal factors allow to maintain a balance between the use of short and long-term capacity products by the transmission system users, which positively affects transmission tariffs for all entities using the Polish transmission system, and also gives signals for effective investment in this system. The level of seasonal factors (as in Table 2) was adopted taking into account the need to ensure the economic and efficient use of transmission infrastructure throughout the year and to better reflect costs by transmission tariffs, also bearing in mind the current levels of correction factors adopted in the tariff for 2020 *(see* Table 4).

The assumption behind the adopted multiplier values and seasonal factors is to incentivize long-term capacity contracts and set tariffs based mainly on booked, invariable during the year, long-term capacities. This is due to the specificity of the transmission system operator's activity, where the transmission of gaseous fuel intensifies during the so-called heating season, while the costs of storage, transmission, network maintenance are borne by the Operator throughout the year. This means that the financial liquidity the Operator should be secured throughout the year.

A change to the currently applied solution in the field of short-term services would be unfavourable from the point of view of agreements concluded by the Operator regarding the financing of strategic investments and could be a factor giving rise to their renegotiation or termination. It should be noted that the Polish transmission network, requires significant investments in its extension in order to ensure the diversification and security of gas supply.

4.4. Application of multipliers and seasonal factors

The calculated multipliers and seasonal factors will be used at interconnection points with EU Member States, interconnection points with third countries and at internal points of the gas transmission system (for E-gas and L-gas), including entry/exit points to/from underground gas storage, for settlement of services provided on short-term basis.

The charge for short-term gas transmission service will be calculated according to the following formula:

$$\mathbf{Op}^{9} = \mathbf{Mn} * \mathbf{Ws} * \mathbf{Ss} * \mathbf{Mu} * \mathbf{T}$$

where:

Op - the charge for a short-term gas transmission service (quarterly, monthly, daily or within-day),

Mn - multiplier,

Ws - seasonal factor,

Ss - transmission tariff, respectively for entry/exit [PLN/MWh/h per h],

Mu - contracted capacity [MWh/h],

T - number of hours in which the short-term service was provided [h].

[9] In case of virtual backhaul capacity, referred to in point 4.6.4, an additional factor of 0,2 is applied.

4.5. The level of discounts at the entry point to the transmission system from LNG installations - Article 28 item 1 section c) and Article 9 item 2 of the Tariff Code

Pursuant to Article 9 item 2 of the Tariff Code at entry points from LNG installations (...) a discount can be applied to capacity-based transmission tariffs in order to increase security of supply.

Analysing the provisions of Article 9 item 2 of the Tariff Code in the context of the Polish natural gas market, it should be noted that this market is part of the group of medium-sized markets with a high degree of dependence on supplies from one direction. Domestic production of natural gas in 2018 amounted to around 20%[10] of the national balance of natural gas supplies. Despite the expansion of interconnections on the western and southern borders, the main source of gas from abroad until 2018 was the eastern direction. High level of dependence of the Polish market on gas supplies from one direction had a significant impact on the level of gas prices. Therefore, the LNG Terminal as an alternative source of supplies is to support the processes of competition development on the gas market. The launch of the LNG Terminal in Świnoujście created the conditions for entities operating on the global LNG market to enter the Polish gas market. Increased competition on the part of gas suppliers is aimed at improving the negotiating position of gas trading companies in Poland.

In connection with the above, in the case of the entry point to the transmission system from the LNG terminal in Świnoujście, from the start of regasification, that is since June 2016, a discount of 100% has been applied. This solution was introduced mainly for the sake of key importance of the LNG terminal for:

- increasing the security of gas supplies to Poland through the diversification of directions of supplies and ensuring access to the global gas market - fully independent of perturbations on the local and regional market,
- competition development on the domestic gas market through the possibility of obtaining gas by domestic suppliers from a new source.

Pursuant to the provisions of Article 9 item 2 of the Tariff Code, allowing to apply a discount in relation to capacity-based tariffs at entry points from the LNG installations to enhance the security of gas supplies, maintaining a discount of 100% is also planned in the tariff for 2021.

4.6. The level of discounts used to calculate the reserve prices for standard capacity products for interruptible capacity - Article 28 item 1 section c) and Article 16 of the Tariff Code

4.6.1. Solutions provided by the Tariff Code.

Article 16 of the Tariff Code allows to adopt one of two solutions for the calculation of reserve prices for standard capacity products for interruptible capacity. Both solutions provide for the discounting of interruptible services. The difference between the options consists in the moment of granting the discount and the methodology of its determination. In Article 16 items 1-3, the methodology based on the *ex-ante* discount was described in detail, and in item 4 rules for granting an *ex-post* discount were set out.

First solution (*ex-ante*) results in the calculation of reserve prices for standard capacity products for interruptible capacity by multiplying the reserve prices of standard capacity products for firm

[10] The President of ERO Activity Report 2018, p. 175.

capacity by the difference between 100% and an *ex-ante* discount. This methodology uses the reserve price for standard capacity products for interruptible capacity (including an *ex-ante* discount) in the transmission system user's billing, regardless of the actual interruption occurrence at a given point. However, in the *ex-post* methodology, the reserve price for standard capacity products for interruptible capacity used in settlements is the same as the price of the relevant firm capacity product and a network user is compensated only when the actual interruption occurred[11].

4.6.2. Level of proposed ex-ante discounts for calculation of reserve prices for standard capacity products for interruptible capacity – article 28 paragraph 1 letter c) and article 16 of the Tariff Code.

Taking account of the planned development of the transmission system, the increased demand for transmission capacity, including the one resulting from the projected development of the power industry gas consumption, as well as the possible lack of gas supplies from the eastern direction at the Drozdowicze entry point, the TSO recommended that in the tariff for 2021, the *ex-ante* discount, referred to in article 16 item 1 – 3 of the Tariff Code, to be applied. The assessment of the probability of interruption for respective types of transmission system points was carried out with the usage of the TSO technical staff's expertise, due to a lack of standard capacity products for interruptible capacity interruptions during analysed period. The adjustment factor A is proposed at level 1.

It is therefore proposed for interconnection points with EU countries and with third countries, as well as for internal entry/exit points, the use of *ex-ante* methodology in settlements of standard capacity products for interruptible capacity, as referred to in article 16 paragraph 1-3 the Tariff Code.

The reserve prices for standard capacity products for interruptible capacity shall be calculated by multiplying the reserve prices for the respective standard capacity products for firm capacity by the difference between 100 % and the level of an *ex-ante* discount.

The following level of *ex-ante* discount is proposed for 2021:

- 6% for annual, quarterly, monthly, daily and within-day standard capacity products for E-gas offered at interconnection points with EU countries[12] and with third countries,
- 2% for annual, quarterly, monthly, daily and within-day standard capacity products for E-gas and L-gas offered at internal entry/exit points [13], excluding the exit points to final consumers[14].

An *ex-ante* discount is calculated in accordance with the methodology set out in article 16 paragraph 2-3 of the Tariff Code, using the following formula:

$$\mathbf{Di_{ex\text{-}ante} = Pro \times A \times 100\ \%}$$

Where:

$Di_{ex\text{-}ante}$ - the level of an *ex-ante* discount,

[11] This approach was applied in 2020 tariff (TSO's publication pursuant to article 29 of the Tariff Code for 2020 tariff: 2020 r. https://www.gaz-system.pl/fileadmin/pliki/taryfa/pl/2019/Publikacja_informacji_art_29_2020.pdf)

[12] Including the PWP interconnection point,

[13] Including UGS,

[14] The TSO shall not offer standard capacity products for interruptible capacity at internal exit points to final customers, both for E-gas and L-gas.

Pro - the probability of interruption which is set or approved in accordance with article 41(6)(a) of Directive 2009/73/EC pursuant to Article 28, and which refers to the type of standard capacity product for interruptible capacity,

A - the adjustment factor which is set or approved in accordance with Article 41(6)(a) of Directive 2009/73/EC pursuant to Article 28, applied to reflect the estimated economic value of the type of standard capacity product for interruptible capacity, calculated for each, some or all interconnection points, which shall be no less than 1.

The Pro factor is calculated for given entry/exit points of transmission system per type of standard capacity product for interruptible capacity offered in accordance with the following formula on the basis of forecasted information related to the components of this formula:

$$\mathbf{Pro} = \frac{\mathbf{N \times D_{int.}}}{\mathbf{D}} \mathbf{x} \frac{\mathbf{CAP_{av.int.}}}{\mathbf{CAP}}$$

Where:

N - the expectation of the number of interruptions over D,

$D_{int.}$ - the average duration of the expected interruptions expressed in hours,

D - the total duration of the respective type of standard capacity product for interruptible capacity expressed in hours,

$CAP_{av.\ int.}$ - the expected average amount of interrupted capacity for each interruption where such amount is related to the respective type of standard capacity product for interruptible capacity,

CAP - the total amount of interruptible capacity for the respective type of standard capacity product for interruptible capacity.

The probability of standard capacity products for interruptible capacity interruption and *ex-ante* discounts are presented in enclosure no. 4. The probability of transmission service interruption at interconnection points was estimated based on data concerning daily capacity bookings in the period from 1 October 2017 to 30 June 2019 and annual, quarterly and monthly capacity bookings for internal points.

4.6.3. Interruptible conditionally firm capacity.

Interruptible conditionally firm capacity has been defined in point 2.18. of the tariff as the contracted capacity provided at physical exit points specified in the capacity allocation (PP), which may be reduced by the TSO, subject to the terms and conditions specified in the TNC[15], in case of the failure to deliver gaseous fuel at specific physical entry points. For settlements of these services an *ex-ante* discount, referred in point 4.6.2., will not be applied. Interruptible conditionally firm services are provided at a limited number of physical exit points indicated on the TSO's website.

At present it applies only to the Hermanowice point, i.e. an exit point to third country's network for which the condition for continuity of transmission service is the supply of gas at the entry point.

[15] The Transmission Network Code.

The Operator informed about the plans for 2020 to broaden the set of points at which the interruptible conditionally firm capacity products will be provided and to offer virtual backhaul transmission services as interruptible conditionally firm products.

4.6.4. Virtual backhaul capacity.

Virtual backhaul transmission service has been defined in § 2 point 24 of Tariff Regulation as a service rendered by an energy enterprise dealing with gaseous fuels transmission, whereby gaseous fuels are contractually transported in the opposite direction to their physical flow in physical entry points to transmission network or physical exit points from this network.
In case of virtual backhaul transmission service, pursuant to § 14 of Tariff Regulation, a 0,2 factor is applied to reserve prices, which means granting a 80% discount on that prices. Due to the above for settlements of these services an *ex-ante* discount, referred in point 4.6.2., will not be applied.
For calculation of the reserve price for short-term virtual backhaul transmission service the multipliers and seasonal factors, referred to in points 4.1. and 4.3. of this document, will be applied.

5. Consultations regarding the EuRoPol GAZ tariff

5.1. Multipliers referred to in Article 28 item 1 section a) of the Tariff Code

It is proposed to apply in 2021 tariff multipliers for short-term products, presented in Table 5, that are the same as multipliers included in 2020 tariff[16].

It should be emphasized that end users or gas storage facilities are not connected to the EuRoPol GAZ's transmission network. In terms of capacity covered by the so-called historical contracts, settlements with customers are conducted by EuRoPol GAZ, whereas the remaining capacity, including virtual backhaul, is managed by the Operator.

Table 5. Multipliers for short-term capacity products adjusting tariffs (reference prices) for entry/exit to/from the EuRoPol GAZ's transmission network proposed for 2021.

Gas transmission service	Within-day	Daily	Monthly	Quarterly
Multiplier	1,95	1,95	1,30	1,10

The above multipliers fall within the permissible ranges specified in Article 13 item 1 of the Tariff Code.

The applied solution, as in the case of the TSO tariff, will ensure a balance between allowing short-term gas trading on the one hand and long-term signals for efficient investing in the transmission system on the other.

[16] Appeal proceedings are currently pending against the decision of the President of the ERO approving the tariff for 2020. But pursuant to article 47 paragraph 2c point 2 of the Energy Law in the event of the expiry of the period for which the tariff has been approved, this tariff (including multipliers and rules of interruptible services settlements) shall apply until the of entry into force of the new tariff, provided that the appeal proceedings against the decision of the President of the URE, approving the new tariff, is pending.

5.2. Seasonal factors referred to in Article 28 item 1 section b) and Article 15 of the Tariff Code

In connection with the provisions of Article 13 item 2 of the Tariff Code, it is not foreseen to apply seasonal factors referred to in Article 15 of the Tariff Code.

This approach stems from the relatively stable level of gas flow in the EuRoPol GAZ's network recorded in individual months of the gas year.

5.3. Application of multipliers

Proposed multipliers will be applied at all entry and exit points to/from the gas transmission system owned by EuRoPol GAZ for settlement of services provided on short-term basis.

The charge for short-term gas transmission service will be calculated according to the following formula:

$$\mathbf{Op}^{17} = \mathbf{Mn} * \mathbf{Ss} * \mathbf{Mu} * \mathbf{T}$$

where:

Op - the charge for a short-term gas transmission service (quarterly, monthly, daily or within-day),

Mn - multiplier,

Ss - transmission tariff, respectively for entry/exit [PLN/MWh/h per h or PLN/MWh/day per day],

Mu - contracted capacity [MWh/h or MWh/day],

T - number of hours or days in which the short-term service was provided [h or day].

5.4. The level of discounts used to calculate the reserve prices for standard capacity products for interruptible capacity - Article 28 item 1 section c) and Article 16 of the Tariff Code

For the transmission network owned by EuRoPol GAZ it is assumed that the methodology based on applying an *ex-post* discount will be continued, likewise in the current tariff. Considering the data from previous years, which indicate that there was no interruption of interruptible capacity products, such an approach is reasoned. Pursuant to Article 16 item 4 of the Tariff Code, this compensation will therefore be equal to three times the reserve price (rate) for daily standard capacity product for firm capacity.

5.5. Virtual backhaul capacity

In case of virtual backhaul transmission service, pursuant to § 14 of Tariff Regulation, a 0,2 factor is applied to reserved prices (a 80% discount).

For calculation of the reserve price for short-term virtual backhaul transmission service the multipliers, referred to in point 5.1. of this document, are applied.

[17] In case of virtual backhaul capacity, referred to in point 5.5., an additional factor of 0,2 is applied,.

Enclosures:

Enclosure no. 1. Calculation of seasonal factors for daily and within-day gas transmission services for 2021 for the TSO's network (Article 15 of the Tariff Code).

Enclosure no. 2. Calculation of seasonal factors for monthly gas transmission services for 2021 for the TSO's network (Article 15 of the Tariff Code).

Enclosure no. 3. Calculation of seasonal factors for quarterly gas transmission services for 2021 (Article 15 of the Tariff Code).

Enclosure no. 4. *Ex-ante* discounts for the TSO's network for 2021, pursuant to article 16 of the Tariff Code.