PRESIDENT
ENERGY REGULATORY OFFICE
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Warsaw, 20 February 2023

Communiqué [1]
of the President of Energy Regulatory Office
No. 7/2023
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 calculation of tariffs for gaseous
fuels transmission services
for the period from 1 January 2024 to 31 December 2024.

1. Introduction

Pursuant to Article 23(2)(11a) of the Energy Law Act, the scope of activity of the President of Energy Regulatory Office[2] (hereinafter referred to as "ERO") includes (...) the performance of duties of the regulatory authority arising from regulations adopted under Articles 8 and 23 of Regulation 715/2009[3], including Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (OJ L 72 of 17.03.2017 p. 29), hereinafter referred to as "the Tariff Code".

According to Article 1 of the Tariff Code, it sets out the rules on harmonised transmission tariff structures for gas, including rules on the application of a reference price methodology, the associated consultation and publication requirements as well as the calculation of reserve prices for standard capacity products.

In line with Article 28(1) and (2) of the Tariff Code, the President of ERO is obliged to run consultations with the regulatory authorities of all directly connected EU Member States and with relevant stakeholders, on the following issues:

a) the level of multipliers,

b) the level of seasonal factors and their calculation as laid down in Article 15 of the Tariff Code,

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[2] Urząd Regulacji Energetyki, www.ure.gov.pl

[3] Regulation (EC) no 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) 1775/2005 (OJ L 211 of 14.08.2009, p. 36).

c) the levels of discounts specified in Articles 9(2) and 16 of the Tariff Code, that is discounts at the entry points from the LNG terminal and the discounts used to calculate the reserve prices for standard capacity products for interruptible capacity[4, 5],

regarding the transmission network owned by Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., hereinafter referred to as "the Operator" or "TSO", and the network owned by System Gazociągów Tranzytowych EuRoPol GAZ S.A., hereinafter referred to as "EuRoPol GAZ", to which the Operator acts as the gas transmission system operator, under the decision of 17 November 2010, ref. no. DPE-4720-4(8)/2010/6154/BT.

Pursuant to Article 28(2) of the Tariff Code the above consultations shall be run every tariff period. Whereas tariff period, according to the definition set out in Article 3(23) of the Tariff Code, means the time period during which a particular level of reference price is applicable, which minimum duration is one year and maximum duration is the duration of the regulatory period. As tariffs for gaseous fuel transmission services are approved for a period of 12 months, this consultation shall be held each year.

After completion of the consultation, in accordance with Article 41(6)(a) of Directive 2009/73/EC, the national regulatory authority shall take and publish a reasoned decision regarding the aspects referred to in points (a) to (c) above, taking into account the views of the regulatory authorities of the directly connected Member States.

Fifth consultation[6] on the level of multipliers, the level of seasonal factors, 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 for 2024 was carried out from 14 November 2022 to 16 January 2023 and regarded the transmission network owned by the Operator and the transmission network owned by EuRoPol GAZ. In the course of the consultation an opinion was received from the Danish NRA[7] expressing the lack of reservations to the consulted aspects.

Provisions of the Communiqué, accounting for the findings of the above consultation, will be applied in the calculation of 2024 tariffs.

Regardless of the above, it is worth adding that on 31 March 2022 two decisions under Article 27(4) of the Tariff Code on the reference price methodologies for 2023-2024[8], including the elements set out in Article 26 of the Tariff Code, were issued for the Operator's own transmission network and for the transmission network owned by EuRoPol GAZ.

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[4] Pursuant to the definition in Article 3(4) of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (OJ L 72/1 of 17.03.2017), hereinafter referred to as „the NC CAM regulation", standard capacity product means a certain amount of transport capacity over a given period of time, at a specified interconnection point.

[5] Pursuant to the definition in Article 2(1)(3) of Regulation 715/2009 capacity means the maximum flow, expressed in normal cubic meters per time unit or in energy unit per time unit, to which the network user is entitled in accordance with the provisions of the transport contract. However according to Article 10 of the NC CAM regulation the capacity offered shall be expressed in kWh/h or kWh/d.

[6] https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/mnozniki-wspolczynniki-sezonow/10658,Konsultacje-w-zakresie-rabatow-mnoznikow-i-wspolczynnikow-sezonowych-do-taryf-na.html

[7] Forsyningstilsynet – Danish Utility Regulator.

[8] https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/metody-wyznaczania-cen-referen-1/10196,Decyzje-Prezesa-URE-w-sprawie-metod-wyznaczania-cen-referencyjnych-stosowanych-w.html

2. Multipliers, seasonal factors and discounts referred to in article 28(1)(a) to (c) of the Tariff Code, for the gas transmission tariff for the Operator's own transmission network for the period from 1 January 2024 to 31 December 2024

2.1. Multipliers referred to in Article 28(1)(a) of the Tariff Code.

The values of multipliers for the tariff for the Operator's own transmission network for standard capacity products for 2024 are presented in Table 1.

Table 1. *The values of multipliers for standard capacity products – the tariff for the Operator's own transmission network for 2024.*

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[9] and at internal points of the gas transmission system (for E-gas[10] and L-gas[11]), including entry/exit points from/to underground gas storage facilities (UGSF).

In Article 13(1) of the Tariff Code, the allowable values of multipliers have been specified for the following capacity products:

- 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 calculated multiplier values are intended to incentivize gas system users to prioritize booking long-term capacity products (yearly and longer) that contribute to generating 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 in a flexible way, by adjusting booked capacity over the year due to using short-term products (quarterly, monthly, daily and within-day). 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.

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, the same values of multipliers as in 2023 were adopted, i.e. from the higher half of the recommended ranges, referred to in Article 13(1) of the Tariff Code.

It should also be pointed to ACER's recommendation no. 01/2021 of 19 July 2021 on setting the level of the multipliers used for the calculation of gas transmission tariffs applied to non-yearly capacity products[12], in which ACER abandon the reduction of the maximum level of multipliers for daily and within-day standard capacity products from 1 April 2023 r. to the value of 1,5 – pursuant to the provisions of Article 13(3) of the Tariff Code. At the same time ACER stated that the current differences between interconnection points (IPs) justify the existing level of flexibility as set out

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[9] Referred to in Article 2(1) of the Tariff Code, i.e. with Belarus and Ukraine.

[10] E – high methane natural gas – E group.

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

[12] https://extranet.acer.europa.eu//Official_documents/Acts_of_the_Agency/Recommendations/ ACER%20Recommendation%2001-2021%20on%20Multipliers.pdf

in Article 13(1)(b) of the Tariff Code and rather advocates for a case-by case approach. In point 1 of the above document ACER recommended that Regulatory Authorities should substantiate their decisions regarding daily and within-day multipliers that lie above the upper threshold of Article 13(1)(b) of the Tariff Code, i.e. 3. Whereas in point 2 of the recommendation, ACER underlined the role of mutual consultation of regulatory authorities of all directly connected Member States to better coordinate their decisions regarding multipliers and seasonal factors at joint cross-border IPs, in order to avoid setting contradictory incentives on each side of a same IP.

Due to the fact that the multipliers and seasonal factors adopted for 2024 fall within the ranges stipulated in Article 13(1) and (2) of the Tariff Code the above recommendation does not substantially affect this Communiqué.

2.2. Seasonal factors referred to in Article 28(1)(b) and Article 15 of the Tariff Code.

Pursuant to Article 15(1) of the Tariff Code, seasonal factors will be applied in the calculation of reserve prices of short-term capacity products for 2024, along with multipliers. In line with the definition in Article 3(21) of the Tariff Code seasonal factor means the factor reflecting the variation of demand within the year which may be applied in combination with the relevant multiplier.

The application of seasonal factors aims at fostering efficient use of the transmission system by allowing higher reserve prices in periods with high utilisation rates and lower reserve prices in low-utilisation periods of this system. The differentiation of reserve prices should incentivise transmission system users to shift gas flows away from high system utilisation rates, thus contributing to curbing investment expenses for its development.

The methodology of seasonal factors calculation is laid down in Article 15 of the Tariff Code and is based on forecasted flows. The seasonal factors calculation has been performed drew on forecasted gas volumes to be delivered to exit points of E-gas and L-gas transmission systems (excluding gas volumes to be sent to exit points to UGSF), estimated based on average flow values over the period 2019-2021. The adoption of tree-year average flows aimed at levelling off the seasonal factors values thereby curbing the influence of flow data from the year that could not be representative.

In case of quarterly capacity products, the option referred to in Article 15(5)(a)(i) of the Tariff Code was adopted (arithmetic mean of individual seasonal factors applied over a period of three months).

Detailed calculations of seasonal factors are presented in annexes 1-3 to the consultation document[13].

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[13] https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/mnozniki-wspolczynniki-sezonow/10658,Konsultacje-w-zakresie-rabatow-mnoznikow-i-wspolczynnikow-sezonowych-do-taryf-na.html

The levels of seasonal factors for the Operator's own network for 2024 for particular types of capacity products are presented in Table 2.

Table 2. *Seasonal factors – the tariff for the Operator's own network.*

Month \ Gas transmission service	Within-day	Daily	Monthly	Quarterly
January	1,18	1,18	1,18	1,13
February	1,11	1,11	1,11	
March	1,09	1,09	1,09	
April	0,98	0,98	0,98	0,92
May	0,93	0,93	0,93	
June	0,84	0,84	0,84	
July	0,84	0,84	0,84	0,85
August	0,84	0,84	0,84	
September	0,87	0,87	0,87	
October	0,99	0,99	0,99	1,07
November	1,07	1,07	1,07	
December	1,16	1,16	1,16	

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

The Operator includes in the tariff correction coefficients being the product of the multiplier and the seasonal factor, rounded to two decimal places.

Multipliers and seasonal factors shall not change in case of secondary trading in capacity products.

The adopted multipliers and seasonal factors ensure that the existing 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, will be maintained. The level of seasonal factors 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.

The assumption behind the adopted multiplier values and seasonal factors is to incentivize long-term capacity contracts that secure financial liquidity of the Operator throughout the year. This is due to the specificity of the transmission system operator's activity, in which the transmission of gaseous fuel intensifies during the so-called heating season, whereas the costs of transmission, network maintenance are borne by the Operator throughout the year.

2.3. Application of multipliers and seasonal factors.

The calculated multipliers and seasonal factors will be applied 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 from/to UGSF, for settlements of services provided on a short-term basis.

The payment for short-term gas transmission service will be calculated according to the following formula, except as provided for in section 2.6. and 2.7.:

$$Op = Mn * Ws * Ss * Mu * T/100$$

where:

Op – the payment for short-term gas transmission service (quarterly, monthly, daily or within-day) in [PLN],

Mn – a multiplier,

Ws – a seasonal factor,

Ss – a transmission charge, respectively for entry/exit [gr[14]/kWh/h per h],

Mu – a contractual capacity [kWh/h],

T – a number of hours in which the short-term service has been provided [h].

2.4. The level of discounts at the entry point to the transmission system from LNG facility - Article 28(1)(c) and Article 9(2) of the Tariff Code.

The level of discount on capacity tariffs at the entry point to the Operator's own transmission system from LNG facility in the period from 1 January 2024 to 31 December 2024 shall be **100%.** In accordance with Article 9(2) of the Tariff Code, a discount may be applied at entry points from the LNG facility (...) to capacity-based transmission tariffs to enhance security of supply. It should be underlined that the Polish natural gas market is medium-sized with a high degree of dependence on supplies from one direction. Despite the development of interconnections on the western and southern borders, the eastern direction was the main source of imported gas until 2017. Domestic production of natural gas in 2021 accounted for approximately 17,6%[15] of the national natural gas supply balance. As a consequence, the high level of the Polish market dependence on gas supplies from one direction had a significant impact on the level of gas prices. The physical diversification of gas supply, of which the LNG terminal is a component, should contribute to lowering gas prices in Poland.

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 entering the Polish gas market by entities operating on the global LNG market. Increased competition on the gas suppliers side aim at improving the negotiating position of gas trading companies in Poland.

In connection with the above, in 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.

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[14] gr=0,01 PLN.

[15] The President of ERO Activity Report 2021, p. 204.

2.5. The level of discounts used to calculate the reserve prices for standard capacity products for interruptible capacity (excluding virtual backhaul capacity) - Article 28(1)(c) and Article 16 of the Tariff Code.

In 2024 for all interconnection points of TSO's own transmission system with EU countries and with third countries, as well as for internal entry/exit points, the *ex-ante* methodology referred to in Article 16(1)-(3) of the Tariff Code will be applied in settlements of standard capacity products for interruptible capacity[16] (as in 2023).

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.

In 2024 for interruptible capacity, including conditionally firm interruptible capacity, but except for virtual backhaul capacity, the following level of *ex-ante* discount will be applied:

- **6%** for annual, quarterly, monthly, daily and within-day standard capacity products for E-gas, offered at interconnection points with EU countries 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 [17].

The probability of transmission service interruption was estimated based on data concerning capacity bookings in the period from 1 July 2021 to 30 June 2022, with the usage of the TSO technical staff's expertise, due to the lack of interruptible capacity products interruptions in 2021 and in the first half of 2022.

The adjustment factor A was adopted at level 1 for all standard capacity products for interruptible capacity. The calculated probability of transmission service interruption reflects the estimated economic value of a given type of standard capacity products for interruptible capacity sufficiently and therefore no additional increase in the *ex-ante* discount, resulting from the application of an A-factor higher than 1, is justified.

The *ex-ante* discount was calculated in accordance with the methodology set out in Article 16(2)-(3) of the Tariff Code, using the following formula:

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

where:

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

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,

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.

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[16] Interruptible capacity is the transmission capacity that may be interrupted by the TSO up to 100% of booked interruptible capacity.

[17] Including UGSF for which in case of interruptible capacity booking, a 2% and 80% discount cumulation occurs.

The Pro factor was calculated for given entry/exit points of the 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.

2.6. Application of *ex-ante* discount for a short-term interruptible capacity, including conditionally firm interruptible capacity, but except for virtual backhaul capacity.

The payment for short-term interruptible and short-term conditionally firm interruptible gas transmission service will be calculated according to the following formula, except as provided for in section 2.7.:

$$\mathbf{Op = (100\% – Di_{ex\text{-}ante})* Mn * Ws * Ss * Mu * T/100}$$

where:

Op – the payment for short-term interruptible, including short-term conditionally firm interruptible gas transmission service (quarterly, monthly, daily or within-day) in [zł], but except for virtual backhaul capacity,

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

Mn – a multiplier,

Ws – a seasonal factor,

Ss – a transmission charge, respectively for entry/exit [gr/kWh/h per h],

Mu – a contractual capacity [kWh/h],

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

The application of an *ex-ante* discount excludes the possibility of applying an additional discount in the event of interruption occurrence.

2.7. Virtual backhaul capacity.

Virtual backhaul transmission service is defined in § 2(24) of Tariff Regulation[18] as a service rendered by an energy enterprise dealing with gaseous fuels transmission, whereby gaseous fuels

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[18] The regulation of the Minister of Energy of 15 March 2018 on detailed terms for structuring and calculation of tariffs and settlements in trade in gaseous fuels (Journal of Laws of 2021, item 280).

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 (long- and short-term), 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 to in point 2.5., is not applied. However, in conjunction to Article 16 of the Tariff Code, this factor (and therefore the 80% discount) can only be applied to interruptible capacity products.

For calculation of the reserve price for short-term virtual backhaul transmission service the multipliers and seasonal factors, referred to in points 2.1. and 2.2. of this document, shall be applied.

The payment for short-term virtual backhaul transmission service is calculated according to the following formula:

$$Op = 0,2 * Mn * Ws * Ss * Mu * T/100$$

where:

Op – the payment for a short-term virtual backhaul gas transmission service (quarterly, monthly, daily or within-day) in [zł],

Mn – a multiplier,

Ws – a seasonal factor,

Ss – a transmission charge, respectively for entry/exit [gr/kWh/h per h],

Mu – a contractual capacity [kWh/h],

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

3. Multipliers, seasonal factors and discounts referred to in Article 28(1)(a) to (c) of the Tariff Code for the gas transmission tariff for the transmission network owned by EuRoPol GAZ for the period from 1 January 2024 to 31 December 2024

3.1. Multipliers referred to in Article 28(1)(a) of the Tariff Code.

The values of multipliers for the tariff for gas transmission services for the transmission network owned by EuRoPol GAZ for short-term standard capacity products for 2024 is shown in Table 3.

Table 3. *Multipliers for standard capacity products – the tariff for EuRoPol GAZ's transmission network for 2024.*

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

The above mentioned multipliers shall be applied at all entry and exit points to/from the gas transmission system owned by EuRoPol GAZ for settlements of services provided on a short-term basis. The above multipliers fall within the allowable ranges stipulated in Article 13(1) of the Tariff Code.

Considering the provisions of Article 13(2) of the Tariff Code, no seasonal factors referred to in Article 15 of the Tariff Code are set for the tariff for EuRoPol GAZ's transmission network.

3.2. Application of multipliers.

The payment for a short-term gas transmission service will be calculated according to the following formula, except as provided for in section 3.4. and 3.5.:

$$Op = Mn * Ss * Mu * T/100$$

where:

Op – the payment for a short-term gas transmission service (quarterly, monthly, daily or within-day) in [PLN],

Mn – a multiplier,

Ss – a transmission charge, respectively for entry/exit [gr/kWh/h per h],

Mu – a contractual capacity [kWh/h],

T – a number of hours in which the short-term service has been provided [h].

3.3. The level of discounts used to calculate the reserve prices for standard capacity products for interruptible capacity (excluding virtual backhaul capacity) - Article 28(1)(c) and Article 16 of the Tariff Code.

In 2024 for all interconnection points of the network own by EuRoPol GAZ, the *ex-ante* methodology referred to in Article 16(1)-(3) of the Tariff Code will be applied in settlements of standard capacity products for interruptible capacity[19], as in 2023. The application of the similar methodology as for TSO's own transmission system ensures greater transparency and simplifies settlements of standard capacity products for interruptible capacity. It should be emphasized that pursuant to Article 14(1)(b) of regulation 715/2009, transmission system operators provide both firm and interruptible third party access services, and the price for interruptible capacity shall reflects the probability of interruptions.

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.

In 2024 a **10%** *ex-ante* discount will be applied for annual, quarterly, monthly, daily and within-day standard capacity products for interruptible capacity offered at interconnection points of the network own by EuRoPol GAZ with EU countries[20] and with third countries.

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 the lack of interruption of standard capacity products for interruptible capacity during analysed period. The probability of transmission service interruption was estimated based on data concerning

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[19] Interruptible capacity is the transmission capacity that may be interrupted by the TSO up to 100% of booked interruptible capacity.

[20] Including the PWP interconnection point.

capacity bookings in the period from 1 July 2021 to 30 June 2022, using a dynamic methodology (D-2).

The adjustment factor A was adopted at level 1 for all standard capacity products for interruptible capacity. The calculated probability of transmission service interruption reflects the estimated economic value of a given type of standard capacity products for interruptible capacity sufficiently and therefore no additional increase in the *ex-ante* discount, resulting from the application of an A-factor higher than 1, is justified.

The *ex-ante* discount was calculated in accordance with the methodology set out in Article 16(2)-(3) of the Tariff Code, using the following formula:

$$\text{Di}_{\text{ex-ante}} = A \times Pro \times 100\ \%$$

where:

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

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,

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.

The Pro factor was calculated for given entry/exit points of the 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:

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

where:

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

$D_{\text{int.}}$ - 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,

$CAP_{\text{av. int.}}$ - 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.

3.4. Application of *ex-ante* discount for a short-term interruptible capacity, except for virtual backhaul capacity.

The payment for short-term interruptible gas transmission service will be calculated according to the following formula, except as provided for in section 3.5.:

$$Op = (100\% - Di_{ex\text{-}ante}) * Mn * Mu * T/100$$

where:

Op – the payment for a short-term interruptible gas transmission service (quarterly, monthly, daily or within-day) in [zł], except for virtual backhaul capacity,

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

Mn – a multiplier,

Ss – a transmission charge, respectively for entry/exit [gr/kWh/h per h],

Mu – a contractual capacity [kWh/h],

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

The application of an *ex-ante* discount excludes the possibility of applying an additional discount in the event of interruption occurrence.

3.5. Virtual backhaul capacity.

In case of virtual backhaul transmission service, pursuant to § 14 of Tariff Regulation, a 0,2 factor is applied to reserve prices (a 80% discount). Nevertheless, in conjunction with Article 16 of the Tariff Code, this factor (and therefore the 80% discount) can only be applied to interruptible capacity products.

For calculation of the reserve price for short-term virtual backhaul transmission service the multipliers, referred to in point 3.1. of this document, are applied.

The payment for short-term virtual backhaul transmission service is calculated according to the following formula:

$$Op = 0,2 * Mn * Ss * Mu * T/100$$

where:

Op – the payment for a short-term virtual backhaul gas transmission service (quarterly, monthly, daily or within-day) in [zł],

Mn – a multiplier,

Ss – a transmission charge, respectively for entry/exit [gr/kWh/h per h],

Mu – a contractual capacity [kWh/h],

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

The application of an discount pursuant to § 14 of Tariff Regulation excludes the possibility of applying *an ex-ante* discount, referred to in section 3.3.

4. Consideration of aspects referred to in Article 28 (3) of the Tariff Code

Pursuant to the provisions of Article 28(3) of the Tariff Code, the President of ERO, when taking a decision on the issues listed in section 1 of this provision, shall take into account the responses received during the consultation and the following aspects:

(a) with regard to the multipliers:

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

(b) with regard to seasonal factors:

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

The analysis of these issues has been presented in the consultation paper.

In addition, it should be noted that Article 13(1) of the Tariff Code sets out limits of multipliers values for the following capacity products:

- 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 justified cases the multiplier value may be less than 1 but more than 0 and more than 3).

The multiplier values established in this Communiqué, both for the Operator's own network and for the network of EuRoPol GAZ, fall within the allowable limits set out in the Tariff Code and will be applied both at interconnection points and internal transmission system points. Also the arithmetic average of the products of the seasonal factor and the relevant multiplier determined for the Operator's own network, calculated in accordance with Article 13(2) of the Tariff Code, falls within the permissible ranges specified in Article 13(1) thereof.

The multiplier level allows the Operator to maintain an appropriate proportion between long-term products ensuring the stability of its revenue, and thus the possibility to carry out investments, and short-term products that enable network users to optimize their purchase portfolios.

Since the multipliers and seasonal factors applied to short-term products are set at the same level for all entry and exit points, each network user incurs the same charge for short-term products regardless of gas transmission routes. Given the above, multipliers or seasonal factors have no impact on the level of cross-subsidisation between network users or on cross-border flows. In addition, seasonal factors are set at a level reflecting transmission system gas outflows depending on the market profile of demand for gaseous fuel and will not have a negative impact on the efficient use of the transmission infrastructure.

Due to the fact that capacity for short-term services is included in the tariff calculation, the adopted level of multipliers and seasonal factors will not affect the allowed revenue recovery.

In the event of under- or over-recovery of transmission service revenue, the regulatory account mechanism referred to in Article19 and 20 of the Tariff Code will be applied.

Rafał Gawin
President of Energy Regulatory Office

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