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MEMO

SUMMARY OF THE FINAL CONSULTATION OF THE TARIFF METHODOLOGY OF THE DANISH GAS TRANSMISSION SYSTEM

The present memo contains a highlight of consultation responses given to the final-consultation document on the adjustments to the tariff methodology conducted by Energinet during the period from 14th October to 14th December 2021.

Three stakeholders have replied to the final-consultation draft:

- Ørsted
- Dansk Energi
- PGNiG

Two of the responders are significant shippers in the Danish gas transmission system, while Dansk Energi is a branch organization.

1.1 Discontinuation of the commodity tariff

The argument for the removal of the commodity tariff (TAR NC art. 4.3) agreed by two of the stakeholders and based on the analysis presented, that it for practical reasons seems appropriate with a 100%/0% capacity-/commodity-split.

One stakeholder expresses disagreement in the proposed change and believe that the capacity-/commodity-split should be unchanged, 70%/30%.

1.2 Discount on the transmission tariff to and from the virtual storage point

In the Final Consultation Document Energinet argues, that the current storage discount of 100% should remain. Two of the stakeholders agree with the 100% discount at entry and exit points towards the underground gas storages. And it is noted that the 100% discount is important given the geographical position of the Danish gas market, the storages provide significant savings to the overall transportation system.

One stakeholder believes the discount is problematic but is willing to accepted it as a part of all the changes proposed in the final consultation document.

1.3 Multipliers and season factors

1.3.1 Multipliers for short-term capacity products less than 1 year

The structure Energinet wishes to extend encompasses the following multipliers:

- Quarterly multiplier: 1.1 if **quarterly products** corresponding to 1 year are booked, this will result in an additional **10%** payment in relation to an annual product
- Monthly multiplier: 1.25 if **monthly products** corresponding to 1 year are booked, this will result in an additional 25% payment in relation to an annual product
- Daily and within-day multiplier: 1.40 if **daily and within-day products** corresponding to 1 year are booked, this will result in an additional **40%** payment in relation to an annual product

The stakeholders are positive on the current level of multipliers. One stakeholder points out the Polish multiplier is higher than level of Energinets multipliers.

1.3.2 Multipliers on capacity products of 5 years or more

With this application, Energinet aims to introduce such a multiplier for capacity bookings of 5 years or more, to encourage long-term contracts and bookings supporting the system.

The aim is to introduce a stepped model which increases the size of the discount in step with the number of years booked, resulting in a discount of 2-6%, depending on¹ the length of the capacity booking.

The multiplier will apply to all capacity bookings of 5 years or more, including allocated capacity in connection with Open Season 2017 on Baltic Pipe. The principle is thus extended to all users with long-term capacity products, which Energinet deems to be the least discriminatory approach.

Energinet is applying for a long-term multiplier calculated using the following formula:

Equation 1: Multiplier for 5 years or more

Multiplikator = (1 + x) - (x * antal år)where X = 0.004 and the number of years ≥ 5

This will result in a discount of 5.60 % for a capacity booking of 15 years, which is the maximum length. The discount will be deducted from the reference price for the annual product for each of the 15 years.

The figure below shows the discount over time from the multiplier using x = 0.004, as well as x = 0.002 and x = 0.006.

Figure 1: Resulting multiplier with different x values

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 $^{^{1}}$ I.e. a multiplier between 0.94 and 0.98



Two stakeholders' express concerns on the introducing of long-term multiplier and find it unnecessary. On the opposite one stakeholder agrees with the proposed method, but argues that the x = 0,004 proposed of Energinet is to low and that it should be in the range of 0,007-0,008

1.3.3 Seasonal factors

Only stakeholder commented on the removal of the seasonal factor with they agreed with.

1.3.4 Uniform tariff methodology

All stakeholders who have replied to the final-consultation draft gives their acknowledgment to, and agrees with, the proposed gas tariff methodology.

Overall, the stakeholders agree with the proposed postage stamp tariffs (uniform cost allocation RPM) with an ex-post entry-exit split, which in their view will lead to more stable tariff development from year to year.

1.4 Uniform tariff for the joint market zone

All stakeholders agree on the inclusion of upstream in the joint market zone. They also agree on the extension of the uniform tariff principle to cover this part, since it was a important step in securing the Baltic Pipe shipper commitment which again allegedly lowers the gas transport tariffs for all shippers in Denmark.

1.5 Change to tariff period

The change from gas year to calendar year in the collection of tariffs is also broadly supported since will bring Denmark in line with other systems in Northwest Europe.