



*Unofficial translation of extract of*

**DECISION**

**NO. НГН -1 of 01.08.2017**

**THE ENERGY AND WATER REGULATORY COMMISSION**

*Regarding the multipliers setting short-term products capacity charge and the discount when setting the capacity charge for interruptible products*

**At a closed session on 01.08.2017, having examined the application filed by Bulgartransgaz EAD on the approval of the allowed annual revenue for 2017-2019, Report with incoming ref.No.E-Дк-452 of 13.07.2017 and data acquired from the open session of 25.07.2017:**

[...]

*1. Multipliers setting short-term products capacity charge*

The products portfolio relates to all products within the service, offered by the TSO and different capacity booking products that may be offered. In line with the European practice Bulgartransgaz EAD offers a portfolio of products consisting of within-day products, daily, monthly, quarterly and yearly products.

Regulation (EU) 2017/460 of the Commission of 16 March 2017 describes the way of setting the short-term products capacity charge depending on the calculated annual reference price (firm annual product price) for the respective entry exit point/zone. This means that short-term capacity products charges over the gas year derive from the firm yearly capacity charge and the ratio of their average duration (in days), divide by the number of days (365/366) in the year.

The company indicates that Regulation (EU) 2017/460 of the Commission of 16 March 2017 provides for the application of multipliers when setting the short-term capacity charge. Booking of short-term products is directly linked with the variation of demand of the final natural gas customers. Each gas transmission system user, optimizing their costs, would book such a long and short-term products portfolio as to cover to a maximum degree the aggregate curve of demand of their customers. The aggregation thus of more uneven customers would generate the booking of larger volume of short-term products. The final prices for the natural gas delivered to such customers would therefore also see the charge of individual costs of the gas transmission system users for natural gas transport to them. On the other hand, customers with even consumption profile should get a lower final capacity charge for a unit of transported natural gas. The short-term products multipliers reflect the uneven use of the gas transmission system, where the TSO would incur higher costs for securing the transport of a unit of natural gas to serve the uneven customers compared to the even demand customers. In addition, the major investments in the transmission system are made to meet the peak quantities of transported natural gas, where in cases of definite uneven demand a big part of the system capacity remains unused in the period beyond the peak demand. The above arguments justify the use of multipliers setting the short-term products capacity charge.

The short-term products multipliers suggested by Bulgartransgaz EAD are given in a table, which is included in the report as approved by EWRC with incoming ref.No.E-Дк-452 of 13.07.2017. The data are in line with the multipliers applied across Europe for such type of products.

Having regard to article 18, paragraph 1, item 10 of the Methodology, the TSO proposed the following multipliers setting the short-term products capacity charge to be approved by EWRC based on the reference firm capacity price:

1. For quarterly capacity products:
  - For Q1: 1 January - 31 March – multiplier with a value of 1.8;

- For Q2: 1 April - 30 June - multiplier with a value of 1;
- For Q3: 1 July - 30 September - multiplier with a value of 1;
- For Q4: 1 October - 31 December - multiplier with a value of 1.8.

2. For monthly capacity products:

- For January - multiplier with a value of 2;
- For February - multiplier with a value of 2;
- For March - multiplier with a value of 2;
- For April - multiplier with a value of 1;
- For May - multiplier with a value of 1;
- For June - multiplier with a value of 1;
- For July - multiplier with a value of 1;
- For August - multiplier with a value of 1;
- For September - multiplier with a value of 1;
- For October - multiplier with a value of 2;
- For November - multiplier with a value of 2;
- For December - multiplier with a value of 2.

3. For daily capacity products:

- For products, offered in Q1: 1 January - 31 March - multiplier with a value of 3;
- For products, offered in Q2: 1 April - 30 June - multiplier with a value of 2;
- For products, offered in Q3: 1 July - 30 September - multiplier with a value of 2;
- For products, offered in Q4: 1 October - 31 December - multiplier with a value of 3.

In view of the ongoing preparation to introduce the booking of within-day capacity products at entry and exit points/areas of the gas transmission system, property of Bulgartransgaz EAD and article 14 of Regulation (EU) 2017/460 of the Commission of 16 March 2017, the company proposed as an addition to the filed application on the approval of the allowed revenue the following multipliers:

4. For within-day capacity products:

- For products, offered in Q1: 1 January - 31 March - multiplier with a value of 3;
- For products, offered in Q2: 1 April - 30 June - multiplier with a value of 2;
- For products, offered in Q3: 1 July - 30 September - multiplier with a value of 2;
- For products, offered in Q4: 1 October - 31 December - multiplier with a value of 3.

[...]

8. *Discount when setting the capacity charge for interruptible products*

According to Bulgartransgaz EAD in line with the requirement of article 14(1)(b) of Regulation EC 715/2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No.1775/2005 interruptible capacity services are charged when taking into account the probability of interruption. Provided the low load of the national gas transmission system and the large volumes of the announced interruptible capacity at entry and exit points of the gas transmission system for transit transmission, the probability of interruption of the estimated booked interruptible capacities is minimum. However, the service involving the provision of interruptible capacity is not of the same quality as the services involving the provision of firm (guaranteed) capacity. An interruption is possible in extraordinary cases when all of the firm capacity is used.

TSO proposes a minimum interruptible capacity pricing discount to be 10%. Concerning registered interruptions in volumes larger than 10% of the booked interruptible capacity, the user of the gas transmission system will receive compensations in the monthly invoices for natural gas transport services pro rata to the interrupted transport.

EWRC acknowledges that the discounts proposed by Bulgartransgaz EAD are justified and approves them.

[...]

**On the basis of article 30(1)(12) of the Energy Act, article 2(3) of Ordinance 2 of 19.03.2013 on natural gas prices regulation, article 6(3) and article 18(1) and (2) and article 32(3) of the Methodology setting the capacity and commodity prices for transport of natural gas through the gas transmission networks, owned by Bulgartransgaz EAD,**

**THE ENERGY AND WATER REGULATORY COMMISSION**

**DECIDED TO:**

[...]

**8. Coefficient setting the capacity charges on the basis of reference firm capacity price:  
Coefficient setting the capacity charges of short-term products:**

8.1. For quarterly capacity products:

- for Q1 of 1 January - 31 March - multiplier with a value of 1.8;
- for Q2: 1 April - 30 June - multiplier with a value of 1;
- for Q3: 1 July - 30 September - multiplier with a value of 1;
- for Q4: 1 October - 31 December - multiplier with a value of 1.8.

8.2. For monthly capacity products:

- For January - multiplier with a value of 2;
- For February - multiplier with a value of 2;
- For March - multiplier with a value of 2;
- For April - multiplier with a value of 1;
- For May - multiplier with a value of 1;
- For June - multiplier with a value of 1;
- For July - multiplier with a value of 1;
- For August - multiplier with a value of 1;
- For September - multiplier with a value of 1;
- For October - multiplier with a value of 2;
- For November - multiplier with a value of 2;
- For December - multiplier with a value of 2.

8.3. For daily capacity products:

- For products offered in Q1: 1 January - 31 March - multiplier with a value of 3;
- For products offered in Q2: 1 April - 30 June - multiplier with a value of 2;
- For products offered in Q3: 1 July - 30 September - multiplier with a value of 2;
- For products offered in Q4: 1 October - 31 December - multiplier with a value of 3;

8.4. For within-day products:

- For products offered in Q1: 1 January - 31 March - multiplier with a value of 3;
- For products offered in Q2: 1 April - 30 June - multiplier with a value of 2;
- For products offered in Q3: 1 July - 30 September - multiplier with a value of 2;
- For products offered in Q4: 1 October - 31 December - multiplier with a value of 3.

8.5. For setting the overrun capacity charge - multiplier with a value of 5.

8.6. Discount for setting the capacity charge for reverse capacity on commercial basis (backhaul) – with a value of 0.5 (50% discount) of the charge of the respective firm capacity product in the forward direction.

8.7. Discount for setting the capacity charge at entry and exit points from/to natural gas storage equipment - with a value of 0.2 (80% discount) from the cost-effective charge of the respective capacity product.

8.8. Discount for setting the capacity charge of interruptible products - with a value of 10% (90% of the charge of the respective firm capacity).

[...]

**This Decision is subject to appeal in front of Sofia City Administrative Court in 14 (fourteen) day period.**

**For the CHAIRPERSON:**  
**ALEXANDER Y. YORDANOV**  
*(in line with Order no.3-Ox-79 of 28.07.2017)*

**Secretary General:**  
**ROSITSA TOTKOVA**