



DECISION:

No. K – 1

of 10 September 2020

at a closed meeting held on 10 September 2020, after reviewing the multipliers, seasonal factors and discounts for specific points of the gas transmission system proposed by Bulgartransgaz EAD with letter Ref. No. E-15-45-21 of 24 March 2020 as well as the opinions gathered from the consultation, found the following:

According to Art. 28(1) and (2) of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (Regulation (EU) 2017/460, the Regulation), together with the final consultation carried out in accordance with Art. 26(1) of that Regulation, EWRC shall conduct a consultation with the national regulatory authorities of all directly connected Member States and the relevant stakeholders on the following:

- (a) the level of multipliers;
- (b) if applicable, the level of seasonal factors and the calculations set out in Art. 15 of the Regulation;
- (c) the levels of discounts set out in Articles 9(2) and 16 of the Regulation.

According to Art. 28(3) of the Regulation (EU) 2017/460 when adopting the above decision, the national regulatory authority shall take into account the consultation responses received and the following aspects:

1. for multipliers:
 - 1.1. the balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system;
 - 1.2. the impact on the transmission services revenue and its recovery;
 - 1.3. the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices;
 - 1.4. situations of physical and contractual congestion;
 - 1.5. the impact on cross-border flows;
2. for seasonal factors:
 - 2.1. the impact on facilitating the economic and efficient utilisation of the infrastructure;
 - 2.2. the need to improve the cost-reflectivity of reserve prices.

In connection with the requirement of Art. 28(1) of Regulation (EU) 2017/460 for EWRC to conduct a consultation with the national regulatory authorities of all directly connected Member States and the relevant stakeholders, which takes place each price period, Bulgartransgaz EAD

has proposed for the price period 1 October 2020 - 30 September 2021 the following multipliers, seasonal factors and discounts for specific points of the gas transmission system:

1. Multipliers

According to the definition under Art. 3(16) of Regulation (EU) 2017/460 “multiplier” means the factor applied to the respective proportion of the reference price in order to calculate the reserve price for a non-yearly standard capacity product.

Reference Price Methodology determines the tariffs for booking capacity products by calculating reference prices for yearly standard capacity products. For such products, the reference price is used as a booking price while other prices for booking short-term standard capacity products are calculated by applying multipliers and seasonal factors to the reference price calculated for the respective point and flow direction.

Bulgartransgaz EAD indicates that the gas transmission system is designed and carries the cost of a capacity transmission system ready to meet the peak consumption levels under maximum load conditions. Most of the time, the gas transmission system is used under medium load conditions. From this point of view, the multipliers are applied to short-term product prices, enabling to increase the contribution into the collected revenue of network users for whom natural gas is transported during periods of high demand at the expense of network users with steady consumption.

When determining the value of the multipliers, it is important to take into account the balance between efficient use of the network and revenue collection by the TSO. Low level of multipliers encourages network users to book short-term products, smoothing their capacity booking profile. High level of multipliers encourages long-term product booking (yearly and products lasting more than one year).

Considering the complexity of the gas transmission system in the Republic of Bulgaria and the need to guarantee non-discriminatory access and to eliminate the cross-subsidisation, the TSO proposed to use single multipliers and seasonal factors for cross-system points as well as for all other points.

According to Art.13 (1) of Regulation (EU) 2017/460 the level of multipliers shall fall within the following ranges:

- (a) for quarterly standard capacity products and for monthly standard capacity products, the level of the respective multiplier shall be no less than 1 and no more than 1.5;
- (b) for daily standard capacity products and for within-day standard capacity products, the level of the respective multiplier shall be no less than 1 and no more than 3. In duly justified cases, the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3.

Multipliers proposed for Gas Year 2020/2021 are shown in Table 1.

Table 1 Multipliers used to determine the short-term products prices

Capacity products	Quarterly	Monthly	Daily	Within-day
Multipliers	1.3	1.4	2	2.5

The above shows that the multipliers proposed by Bulgartransgaz EAD for Gas Year 2020/2021 fall within the interval specified in Art. 13(1) of Regulation (EU) 2017/460.

2. Seasonal factors

According to the definition under Art. 3(21) of Regulation (EU) 2017/460 “seasonal factor” means the factor reflecting the variation of consumption within the year which may be applied in combination with the relevant multiplier.

Seasonal factors shall apply to form the prices for short-term capacity products taking into account the seasonality of natural gas flows over the year. The aim of applying seasonal factors is to stimulate the network users to use the gas transmission system during the low demand season (summer) providing efficient use of the transmission system. This aims to reduce the risk of congestion of the gas transmission system during high natural gas demand, avoiding the need of additional investments to increase the cross-system capacity of the transmission system. The calculation of the proposed seasonal factors is based on monthly average estimate of transported natural gas quantities for Gas Year 2020/2021 in line with Art. 15(2-6) of Regulation 2017/460.

According to Art. 13(2) of Regulation 2017/460 where seasonal factors are applied, the arithmetic mean value over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factors shall be within the same range as for the level of the respective multipliers set out in paragraph 1.

Table 2 shows the levels of seasonal factors proposed by Bulgartransgaz EAD.

Table 2 Levels of seasonal factors by months

Seasonal factors	Quarterly	Monthly/Daily/Within-day
October	1.13	0.86
November		1.11
December		1.42
January	1.27	1.48
February		1.28
March		1.03
April	0.87	0.95
May		0.88
June		0.79
July	0.73	0.70
August		0.68
September		0.82

3. Discounts on calculated tariffs for the provision of capacity products for specific entry and exit points

According to Art. 9(1) of Regulation (EU) 2017/460 a discount of at least 50% shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.

According to Art. 9(2) at entry points from LNG facilities, and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems, a discount may be applied to the respective capacity-based transmission tariffs for the purposes of increasing security of supply. Bulgartransgaz EAD proposed the following discounts according to Regulation (EC) 2017/460:

3.1 Discounts on calculated tariffs for the provision of capacity products for specific entry and exit points

In its capacity as operator of the Chiren storage facility (Chiren UGS), Bulgartransgaz EAD states that the availability of a gas storage facility has a positive effect on the regulation of peak natural gas flows, as well as on smoothing the seasonal fluctuations of natural gas consumption. In this regard, the proposed discount from capacity booking tariffs at entry and exit point from/to a natural gas storage facility is in the amount of 80% of the tariffs calculated without applying a discount. Based on these circumstances it could be stated that lower transmission prices at the entry points of the gas storage facilities and at the exit points to the gas storage facilities derive from a more cost-efficient allocation. The discount proposed is in line with Art. 9(1) of Regulation (EU) 2017/460.

Discounts for gas transmission system connection points with LNG terminals and infrastructure with the purpose of ending the isolation of Member States is not foreseen as no such entry/exit points are available in the gas transmission system owned by Bulgartransgaz EAD.

3.2 Discounts for the provision of interruptible capacity products

The manner of determining the discounts is regulated in Art. 16 of Regulation (EU) 2017/460.

Considering that during the last Gas Year (2018/2019) no interruption of interconnection points due to physical congestion has been reported, the lack of such in the indicative 2020/2021 gas demand scenario and the lack of historical data required to calculate the interruption's probability, Bulgartransgaz EAD proposed a discount for Gas Year 2020/2021 to be applied based on the actual measured duration of the interruption (ex-post discount).

When applying ex-post discounts, the prices of interruptible capacity products will be the same as the prices of firm capacity products, and in case of interruption, the users who have booked interruptible capacity will be compensated with a discount determined in accordance with the provisions of Art. 16(4) of Regulation 2017/460, the level of the discount will be equal to the triple price for the daily capacity product, calculated on the actual interrupted capacity in accordance with the formula:

$$D = 3 \cdot \Pi_{\text{дп}} \cdot C \cdot t \quad \text{where:}$$

D – discount, BGN;

$\Pi_{\text{дп}}$ – price for daily capacity product, BGN/kWh/d;

C – actual interrupted capacity, kWh/h;

t – interruption time, h.

Compensation of the users with this discount will be made when determining the monthly charges for the amounts due for natural gas transmission which is done after the end of the reporting month.

The results of the analysis on Bulgartransgaz EAD proposal and the documents enclosed are shown in a report Ref. No.E-Дк-652 of 27 July 2020 and a draft decision on the discounts, multipliers and seasonal factors, which have been adopted by the EWRC with a decision under Protocol No. 171 of 30 July 2020, item 5.

Pursuant to Art. 28(1) of Regulation (EU) 2017/460 according to which the national regulatory authority conduct a consultation with the national regulatory authorities of all directly connected Member States, with letter Ref. No. E-15-45-21#34 of 4 August 2020 to the Greek national regulatory authority (RAE) and with letter Ref. No. E-15-45-21#35 of 4 August 2020 to the Romanian national regulatory authority (ANRE), EWRC requested an opinion on the levels of multipliers, seasonal factors proposed by Bulgartransgaz EAD and the calculations set out in Art. 15 of the Regulation as well as the level of discounts set out in Art. 9(2) and Art. 16 of the Regulation.

A consultation on a draft decision on the discounts, multipliers and seasonal factors for specific points of the gas transmission system was held on 13 August 2020. Bulgartransgaz EAD representative stated that the proposed multipliers are in line with the European practice and Regulation (EU) 2017/460, and that compared to the currently applicable multipliers there is a certain reduction that will stimulate natural gas short-term trade. Regarding the seasonal factors, it is noted that they express the transmission fluctuation and are calculated on the basis of the expected quantities by months for Gas Year 2020-2021.

No comments from stakeholders, as well as opinions from RAE and ANRE on the draft decision on discounts, multipliers and seasonal factors were received within the set 14-day period.

In the light of the above and based on Art. 28 of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas,

THE ENERGY AND WATER REGULATORY COMMISSION

DECIDED TO:

Approve to Bulgartransgaz EAD for the period 1 October 2020 - 30 September 2021:

I. Multipliers used to determine the short-term product prices, as follows:

1. For quarterly capacity product - 1.3;

2. For monthly capacity product - 1.4;
3. For daily capacity product - 2;
4. For within-day capacity product - 2.5.

II. Levels of seasonal factors by months, as follows:

Seasonal factors	Quarterly	Monthly/Daily/Within-day
October	1.13	0.86
November		1.11
December		1.42
January	1.27	1.48
February		1.28
March		1.03
April	0.87	0.95
May		0.88
June		0.79
July	0.73	0.70
August		0.68
September		0.82

III. Discount from capacity booking tariffs at entry and exit point from/to a natural gas storage facility is in the amount of 80% of the tariffs calculated without applying a discount.

IV. Discount when booking interruptible capacity products - ex-post discount where in case of interruption, the users who have booked interruptible capacity will be compensated with the amount equal to the triple price for the daily capacity product calculated on the actual interrupted capacity.

The Decision is subject to appeal before the Supreme Administrative Court within 14 (fourteen) days.

CHAIRPERSON:

Assoc. Prof. PhD Ivan Ivanov

CHIEF SECRETARY:

YULIAN MITEV

(According to Order No. 785 of 24 August 2020)