

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, 7 November 2022

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1. Legal basis¹

On 6 April 2017, the Tariff Code² entered 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 of 10 April 1997 (Journal of Laws of 2022 item 1385, as amended), the scope of activity of the President of ERO includes, among others, (...) performance of the regulatory authority's obligations arising from ordinances adopted under Article 8 and Article 23 of Regulation 715/2009³ (including the Tariff Code).

The following, 5th consultation with the regulatory authorities of all directly connected EU Member States and with relevant stakeholders, resulting 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(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", for 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, for 2024.

Pursuant to Article 28(2) of the Tariff Code the subsequent consultations shall be conducted every tariff period. According to the definition set out in Article 3(23) of the Tariff Code, tariff period 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.

This consultation are carried out by the President of the ERO pursuant to Article 28 of the Tariff Code, for the next period starting in 2024.

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).

Reference should also be made 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 products⁴, in which ACER did not limit the maximum level of multipliers for daily and within-day capacity products, from 1 April 2023, 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 keeping the existing level of flexibility in this respect, as set out 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 recommends detailed justification of the decisions of national regulatory authorities regarding daily and within-day multipliers that lie above the upper threshold referred to in Article 13(1)(b) of the Tariff Code, i.e. 3. Whereas, in 2nd paragraph of the recommendation, ACER underlined the importance of mutual consultations between national regulatory authorities of directly connected Member States in order to better coordinate decisions regarding multipliers and seasonal factors for cross-border interconnection points, so as to avoid setting contradictory incentives on each side of a same interconnection point.

Due to the fact that the values of the multipliers and seasonal factors proposed for 2024 are within the limits specified in Article (13)(1) and (2) of the Tariff Code, the above ACER's recommendation does not substantially affect this consultation.

2. Implementation

2.1. Deadlines

This document has been developed and published under the consultation carried out by the President of ERO for 2024 gas transmission tariffs, with respect to (1) the transmission network owned by the TSO and (2) the transmission network owned by EuRoPol GAZ.

During the consultation process spanning from **14 November 2022 to 16 January 2023**, stakeholders may send their comments in Polish or English to a dedicated e-mail address: konsultacje.nctar@ure.gov.pl, using the enclosed template.

Comments, opinions and proposals that will be submitted should include reasoning, embracing reference to relevant calculations, analyses or research. It is recommended to avoid general statements, comments and reservations as well as to raise issues beyond the scope of this consultation, which will allow for a substantive reference to the stakeholders' statements in the final decision of the President of the ERO, referred to in Art. 28(2) of the Tariff Code.

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(2) and (3) of the Tariff Code, shall take a decision relating to the aspects referred to in Article 28(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.

⁴ [https://extranet.acer.europa.eu/Official documents/Acts of the Agency/Recommendations/ACER%20Recommendation%2001-2021%20on%20Multipliers.pdf](https://extranet.acer.europa.eu/Official%20documents/Acts%20of%20the%20Agency/Recommendations/ACER%20Recommendation%2001-2021%20on%20Multipliers.pdf)

The decision shall be published in the form of the President of ERO communiqué by the end of March 2023.

2.2. Important factors of the consultation

Pursuant to Article 28(3) of the Tariff Code, 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.

The decision of the President of ERO on the consulted aspects will be included in the calculation of tariffs for gas transmission services, both for the Operator's own network and the network owned by EuRoPol GAZ, submitted for approval. These provisions will apply to settlements with users of the transmission system as soon as the decisions approving the 2024 tariffs for gaseous fuels become effective.

3. Polish natural gas transmission system

The Polish natural gas transmission system consists 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 6 December 2068. 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 for the section of the Yamal-Western Europe gas pipeline, located in the territory of the Republic of Poland, which owner is EuRoPol GAZ, for the period up to 31 December 2025.

The tariff for gas transmission services for 2023, re. the TSO gas transmission system, has been approved, taking into account *the Communiqué of the President of ERO No. 11/2022 of 18 March 2022 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 2023 to 31 December 2023. However, the results of this consultation, will be included in the tariffs for 2024 for TSO and EuROPol GAZ transmission systems and in a publication done 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 2023.

4. Consultations regarding the TSO's network

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

In Article 13(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 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 countries⁵ and at internal points of the gas transmission system (for E-gas⁶ and L-gas⁷).

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 appropriate 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 the booked capacity over the year with products of shorter duration and responding dynamically to changing market conditions. 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, while ensuring the right balance between the use of long- and short-term capacity products.

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

Considering the need to ensure a balance between facilitating short-term gas trading, ensuring long-term signals for efficient investment in the transmission system, as well as levels of

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.

correction factors⁸ used in the 2023 tariff (*see* Table 4), it was decided to adopt the value of multipliers from the higher half of the recommended ranges, referred to in Article 13(1) of the Tariff Code (as in Table 1).

The same 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.

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

Pursuant to Article 15(1) of the Tariff Code seasonal factors will also be applied in calculation of reserve prices of short-term capacity products. According to the definition set out 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 was set out in Article 15 of the Tariff Code and is based on the forecasted flows. The consulted seasonal factors calculation has been performed drew on forecasted gas volumes delivered to exit points of E-gas and L-gas transmission systems (excluding gas volumes sent to exit points to UGS), estimated based on average flows 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 data from the year that could not be representative. Detailed calculations are presented in annexes 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).

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

Table 2. Seasonal factors proposed for the year 2024.

Month \ Product type	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	

⁸ The notion of 'correction factors' is applied in TSO's tariffs and means the product of relevant multipliers and seasonal factors, referred to in the Tariff Code.

October	0.99	0.99	0.99	1.07
November	1.07	1.07	1.07	
December	1.16	1.16	1.16	

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 2024.

Month \ Product type	Within-day	Daily	Monthly	Quarterly
January	2.60	2.60	1.71	1.44
February	2.44	2.44	1.61	
March	2.40	2.40	1.58	
April	2.16	2.16	1.42	1.17
May	2.05	2.05	1.35	
June	1.85	1.85	1.22	
July	1.85	1.85	1.22	1.08
August	1.85	1.85	1.22	
September	1.91	1.91	1.26	
October	2.18	2.18	1.44	1.36
November	2.35	2.35	1.55	
December	2.55	2.55	1.68	
Average	2.18	2.18	1.44	1.26

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

The adopted multipliers and seasonal factors ensure that 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, will be maintained. 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.

The assumption behind the adopted multiplier values and seasonal factors is to incentivize long-term capacity contracts. 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 transmission, network maintenance are borne by the Operator throughout the year. This means that the financial liquidity of the Operator should be secured throughout the year.

For the purposes of comparison, the table 4 presents values of correction factors included in the 2023 tariff.

Table 4. Correction factors for standard capacity products from the tariff for 2023⁹.

Month \ Product type	Within-day	Daily	Monthly	Quarterly
January	2.57	2.57	1.70	1.44
February	2.44	2.44	1.61	
March	2.46	2.46	1.62	
April	2.11	2.11	1.39	1.14
May	2.00	2.00	1.32	
June	1.85	1.85	1.22	
July	1.91	1.91	1.26	1.10
August	1.91	1.91	1.26	
September	1.91	1.91	1.26	
October	2.18	2.18	1.44	1.36
November	2.35	2.35	1.55	
December	2.51	2.51	1.65	
Average	2.19	2.19	1.44	1.26

A change to the currently applied approach in terms of short-term services, would be unfavourable from the point of view of agreements concluded by the Operator regarding the financing of strategic investments. It should be noted that the Polish transmission network is being developed substantially 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, except as provided for in paragraph 4.6.4. and 4.6.5:

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

where:

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

⁹ According to the Communiqué of the President of ERO no 11/2022; <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/mnozники-wspolczynniki-3/9723.Rynek-gazu-konsultacje-dotyczace-rabatow-mnozownikow-i-wspolczynnikiw-sezonowych-d.html>

Mn - multiplier,

Ws - seasonal factor,

Ss - transmission tariff, respectively for entry/exit [gr¹⁰/kWh/h per h],

Mu - contracted capacity [kWh/h],

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

Multipliers and seasonal factors shall not change in the case of secondary trading of capacity products, which consists in reselling the product in a shorter period than the primary product.

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(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(2) of the Tariff Code in the context of the Polish natural gas market, it should be noted that this market is a 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 2021 amounted to around 17.6%¹¹ of the national balance of natural gas supplies. Despite the development of interconnections on the western and southern borders, the main source of gas from abroad until 2017 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 side of gas suppliers is aimed at improving the negotiating position of gas trading companies in Poland.

Due to 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(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 2024 tariff.

Data on the LNG terminal use is presented in Table 5. It shows that the use of the LNG terminal is systematically growing.

¹⁰ 1 gr = 0,01 PLN ≈ 0,0022 EUR.

¹¹ National Report of the President of ERO 2022, p. 85.

Table 5. The source structure of gas entering the transmission system in 2018, 2019, 2020 and 2021¹².

System entry points	E-gas – 2018 r.		E-gas – 2019 r.		E-gas – 2020 r.		E-gas – 2021 r.	
	[TWh]	[%]	[TWh]	[%]	[TWh]	[%]	[TWh]	[%]
Total, out of this:	557.1	100.0	557.6	100.0	533.4	100.0	490.5	100.0
production and nitrogen removal plants	23.1	4.1	22.0	3.9	22.2	4.2	20.7	4.2
underground gas storage facilities	25.0	4.5	18.0	3.2	30.4	5.7	23.0	4.7
non-EU supplies (not including LNG)	443.2	79.6	430.3	77.2	396.8	74.4	366.1	74.6
EU supplies	34.8	6.2	49.7	8.9	42.4	7.9	38.4	7.8
LNG terminal	29.5	5.3	35.9	6.4	40.0	7.5	40.7	8.3
others (entries from distribution systems)	1.5	0.3	1.7	0.3	1.6	0.3	1.6	0.3

4.6. The level of discounts used to calculate the reserve prices for standard capacity products for interruptible capacity in 2024 - Article 28 item 1 section c) and Article 16 of the Tariff Code

4.6.1. Options provided for in the Tariff Code.

Article 16 of the Tariff Code allows to adopt one of two approaches for the calculation of reserve prices for standard capacity products for interruptible capacity¹³. Both of them 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(1)-(3), the methodology based on the *ex-ante* discount was described in detail, whereas rules for granting an *ex-post* discount were set out in item 4.

First option (*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 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 occurred¹⁴. In accordance with Article 16(4) of the Tariff Code, the *ex-post* discount may only be applied at interconnection points where there was no interruption of capacity due to physical congestion in the preceding gas year.

¹² Commercial flows including SGT as stated in the President of ERO Activity Report 2018, 2019, 2020 and 2021 (<https://www.ure.gov.pl/pl/urzad/informacje-ogolne/publikacje/sprawozdania-z-dzialaln/2916.Sprawozdania-z-dzialalnosci-Prezesa-URE.html>)

¹³ Interruptible capacity may be interrupted by the TSO up to 100% of booked interruptible capacity.

¹⁴ 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)

4.6.2. Level of proposed ex-ante discounts for calculation of reserve prices for standard capacity products for interruptible capacity in 2024 – Article 28(1)(c) and Article 16 of the Tariff Code.

Taking account of the scope of planned development works in the transmission system, the increased demand for transmission capacity, including the one resulting from the projected development of the power industry gas consumption, the TSO recommended that in the tariff for 2024, as in the 2023 tariff, the *ex-ante* discount, referred to in Article 16(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 the lack of interruption of standard capacity products for interruptible capacity in 2021 and in the first half of 2022. 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.

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

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(1)–(3) of the Tariff Code.

The following level of *ex-ante* discount for 2024 is assumed:

- **6%** for annual, quarterly, monthly, daily and within-day standard interruptible capacity products for E-gas offered at interconnection points with EU countries¹⁵ and with third countries,
- **2%** for annual, quarterly, monthly, daily and within-day standard interruptible capacity products for E-gas and L-gas offered at internal entry/exit points.

The probability of standard capacity products for interruptible capacity interruption and *ex-ante* discounts are presented in annex no. 4.

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.

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

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

where:

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

¹⁵ Including the PWP interconnection point.

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:

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

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.

4.6.3. Interruptible conditionally firm capacity.

The concept of interruptible conditionally firm service/capacity has been introduced in point 7.1.12.2.2. of the binding Transmission Network Code (IRiESP¹⁶). It was therefore necessary to determine settlement rules for this product, what in the case of the 2023 tariff was set out in point 10.7. In practice, this product is billed as an interruptible transmission services.

Interruptible conditionally firm services are provided at a limited number of physical exit and physical entry points indicated on the TSO's website.

According to the information provided by the Operator, these services are currently offered only at the border with Ukraine – at the virtual interconnection point GCP GAZ-SYSTEM/UA TSO – exit (from 1 July 2020), for which the condition for the transmission service firmness is the supply of gas at the entry point into Poland.

Due to the above interruptible conditionally firm services will be settled according to the rules set out in point 4.6.2.

¹⁶ The Transmission Network Code for TSO's own transmission network, approved by the President of URE decision of 5 January 2021 r. ref. no.: DRR.WRG.4322.4.2020.IWa <https://www.gaz-system.pl/en/for-customers/services-in-the-nts/nts-transmission-network-code.html>.

4.6.4. Application of ex-ante discount for settlements of short-term interruptible and short-term interruptible conditionally firm transmission services.

The charge for short-term interruptible and short-term interruptible conditionally firm gas transmission service will be calculated according to the following formula, except as provided for in paragraph 4.6.5.:

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

where:

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

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

Mn - multiplier,

Ws - seasonal factor,

Ss - transmission tariff, respectively for entry/exit [gr/kWh/h per h],

Mu - contracted capacity [kWh/h],

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

4.6.5. Virtual backhaul capacity.

Virtual backhaul transmission service has been defined in § 2 point 24 of the Tariff Regulation¹⁷ 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 the 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 4.6.2. and 4.6.3, will not be applied. However, 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 and seasonal factors, referred to in points 4.1. and 4.3. of this document, will be applied.

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

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

where:

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

Mn - multiplier,

Ws - seasonal factor,

¹⁷ 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).

Ss - transmission tariff, respectively for entry/exit [gr/kWh/h per h],

Mu - contracted capacity [kWh/h],

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

5. Consultations regarding the EuRoPol GAZ's network

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

It is assumed to apply in the 2024 tariff multipliers for short-term products presented in Table 6. The multipliers do not change compared to the ones set for 2023. They will be applied at all points of transmission network belonged to EuRoPol GAZ.

It should be emphasized that end users or gas storage facilities are not connected to the EuRoPol GAZ's transmission network.

Table 6. Multipliers for short-term standard capacity products for the EuRoPol GAZ's transmission network proposed for 2024.

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(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.

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

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

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:

$$Op^{18} = Mn * Ss * Mu * T$$

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],

¹⁸ In case of virtual backhaul capacity, referred to in point 5.5., an additional factor of 0,2 is applied.

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

Taking into account the Operator's request, it is assumed to apply in calculation of reserve prices of standard capacity products for interruptible capacity the *ex-ante* discount, referred to in Article 16(1)–(3) of the Tariff Code, in 2024 tariff (as in 2023). This approach will ensure greater transparency of interruptible services settlements and – thanks to the use of analogous principles in both systems – will simplify their use.

Reference should also be made to Article 14(1)(b) of Regulation 715/2009, according to which transmission system operators shall provide both firm and interruptible services related to third-party access and the price of interruptible capacity shall reflect the probability of interruptions.

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

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

It is therefore proposed for interconnection points with EU countries¹⁹ and with third countries the use of *ex-ante* methodology in settlements of standard capacity products for interruptible capacity, as referred to in Article 16(1)–(3) the Tariff Code.

Thus, in 2024, the *ex-ante* discount of **10%** is assumed for annual, quarterly, monthly, daily and within-day standard interruptible capacity products for E-gas offered at interconnection points with EU countries²⁰ and with third countries,

The probability of standard capacity products for interruptible capacity interruption and *ex-ante* discounts are presented in annex no. 5.

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.

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

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

¹⁹ Including the PWP interconnection point.

²⁰ Including the PWP interconnection point.

where:

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

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:

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

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,

$\text{CAP}_{\text{av. int.}}$ - 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.

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 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 5.1. of this document, are applied.

Annexes:

Annex no. 1. Calculation of seasonal factors for daily and within-day gas transmission services for 2024 for the TSO's network (Article 15 of the Tariff Code).

Annex no. 2. Calculation of seasonal factors for monthly gas transmission services for 2024 for the TSO's network (Article 15 of the Tariff Code).

- Annex no. 3. Calculation of seasonal factors for quarterly gas transmission services for 2024 for the TSO's network (Article 15 of the Tariff Code).
- Annex no. 4. *Ex-ante* discounts for 2024 for types of transmission system points, with interruptible capacity products breakdown, for the TSO's network.
- Annex no. 5. *Ex-ante* discounts for 2024 for types of transmission system points, with interruptible capacity products breakdown, for the EuRoPol GAZ's network.
- Annex no. 6. Template for comments on 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.

Annex no. 1. Calculation of seasonal factors for daily and within-day gas transmission services for 2024 for the TSO's network (Article 15 of the Tariff Code).

	Accepted value	Min	Max
Multiplier	2.2	1	3
Power	0.5	0	2

Month	Exit gas volume - 2019-2021 average (E i L gas type, not including UGS) [MWh]	Share in annual volume	Seasonal factor	Multiplier * seasonal factor	Correction factor in tariff no. 16 (for 2023)	Correction factor change
January	23 897 268	11.62%	1.18	2.60	2.57	0.9%
February	21 192 244	10.31%	1.11	2.44	2.44	0.0%
March	20 337 947	9.89%	1.09	2.40	2.46	-2.7%
April	16 529 043	8.04%	0.98	2.16	2.11	2.1%
May	14 723 879	7.16%	0.93	2.05	2.00	2.2%
June	12 106 100	5.89%	0.84	1.85	1.85	0.0%
July	12 228 451	5.95%	0.84	1.85	1.91	-3.4%
August	12 145 338	5.91%	0.84	1.85	1.91	-3.4%
September	12 938 242	6.29%	0.87	1.91	1.91	0.0%
October	16 908 659	8.22%	0.99	2.18	2.18	0.0%
November	19 592 299	9.53%	1.07	2.35	2.35	0.0%
December	22 990 777	11.18%	1.16	2.55	2.51	1.8%
Total	205 590 246	100.00%	0.99	2.18	2.19	0.00
Mean						

* The arithmetic mean of the product of the multiplier and the relevant seasonal factors should be within the same range as the respective multiplier <min, max>.

** A value of seasonal factor has been rounded up or down to 2 decimal places.

Annex no. 2. Calculation of seasonal factors for monthly gas transmission services for 2024 for the TSO's network (Article 15 of the Tariff Code).

	Accepted value	Min	Max
Multiplier	1.45	1	1.5
Power	0.5	0	2

Month	Number of days	Exit gas volume - 2019-2021 average (E i L gas type, not including UGS) [MWh]	Share in annual volume	Seasonal factor	Multiplier * seasonal factor	Correction factor in tariff no. 16 (for 2023)	Correction factor change
January	31	23 897 268	11.62%	1.18	1.71	1.70	0.9%
February	28	21 192 244	10.31%	1.11	1.61	1.61	0.0%
March	31	20 337 947	9.89%	1.09	1.58	1.62	-2.7%
April	30	16 529 043	8.04%	0.98	1.42	1.39	2.1%
May	31	14 723 879	7.16%	0.93	1.35	1.32	2.2%
June	30	12 106 100	5.89%	0.84	1.22	1.22	0.0%
July	31	12 228 451	5.95%	0.84	1.22	1.26	-3.4%
August	31	12 145 338	5.91%	0.84	1.22	1.26	-3.4%
September	30	12 938 242	6.29%	0.87	1.26	1.26	0.0%
October	31	16 908 659	8.22%	0.99	1.44	1.44	0.0%
November	30	19 592 299	9.53%	1.07	1.55	1.55	0.0%
December	31	22 990 777	11.18%	1.16	1.68	1.65	1.8%
Total	365	205 590 246	100.00%	0.99	1.44	1.44	0.00
Mean							

* The arithmetic mean of the product of the multiplier and the relevant seasonal factors should be within the same range as the respective multiplier <min, max>.

** A value of seasonal factor has been rounded up or down to 2 decimal places.

Annex no. 3. Calculation of seasonal factors for quarterly gas transmission services for 2024 for the TSO's network (Article 15 of the Tariff Code).

	Accepted value	Min	Max
Multiplier	1.27	1	1.5

Month	Number of days	Exit gas volume - 2019-2021 average (E i L gas type, not including UGS) [MWh]	Seasonal factor	Multiplier * seasonal factor	Correction factor in tariff no. 16 (for 2023)	Correction factor change
January	31	23 897 268	1.13	1.44	1.44	0.0%
February	28	21 192 244				
March	31	20 337 947				
April	30	16 529 043	0.92	1.17	1.14	2.2%
May	31	14 723 879				
June	30	12 106 100				
July	31	12 228 451	0.85	1.08	1.10	-2.3%
August	31	12 145 338				
September	30	12 938 242				
October	31	16 908 659	1.07	1.36	1.36	0.0%
November	30	19 592 299				
December	31	22 990 777				
Total	365	205 590 246	0.99	1.26	1.26	0.00
			Mean			

* The arithmetic mean of the product of the multiplier and the relevant seasonal factors should be within the same range as the respective multiplier <min, max>.

** A value of seasonal factor has been rounded up or down to 2 decimal places.

Annex no. 4. Ex-ante discounts for 2024 for types of transmission system points, with interruptible capacity products breakdown, for the TSO's network.

No.	Gas type	System point		Ex-ante discount for interruptible capacity product:				
				Yearly	Quarterly	Monthly	Daily	Within-day
1.	E	Interconnection points with EU countries	Entry/exit	6%	6%	6%	6%	6%
2.	E	PWP	Entry/exit	6%	6%	6%	6%	6%
3.	E	Interconnection points with third countries	Entry/exit	6%	6%	6%	6%	6%
4.	E	Internal points	Entry/exit	2%	2%	2%	2%	2%
5.	L	Internal points	Entry/exit	2%	2%	2%	2%	2%

Annex no. 5. Ex-ante discounts for 2024 for types of transmission system points, with interruptible capacity products breakdown, for EuRoPol GAZ network.

No.	Gas type	System point		Ex-ante discount for interruptible capacity product:				
				Yearly	Quarterly	Monthly	Daily	Within-day
1.	E	Kondratki	Entry	10%	10%	10%	10%	10%
2.	E	Mallnow	Entry	10%	10%	10%	10%	10%
3.	E	PWP	Exit	10%	10%	10%	10%	10%
4.	E	Mallnow	Exit	10%	10%	10%	10%	10%

Annex no. 6 Template for comments on *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.

No.	Subject: point, no., issue	Approach adopted in consultation document	Amendment proposal, point, comment	Reasoning
1.				
2.				
3.				
4.				
5.				
Entity name:			Contact person: Phone no.: E-mail:	