Network code implementation - harmonised transmission tariff structure and congestions at interconnection points in the EnC

16th Energy Community Gas Forum

Ljubljana, 23 September 2021
Content

- Background: NC implementation in the EnC Contracting Parties

- ECRB Report on methodologies and parameters used to determine the allowed or target revenue of gas transmission system operators

- ECRB report on congestions at gas interconnection points with respect to firm capacity products sold in the previous year
As of December 2020, all Network Codes applicable in the EnC CPs

- Albania (IO, CMP, CAM, TAR)
- Georgia (exempted, no IPs, BAL transposed)
- Moldova (IO, CMP, CAM, TAR)
- North Macedonia (directly applicable)
- Serbia (Energy Law adopted in 2021 provided legal background, the NRA published guidelines on NC implementation)
- Ukraine (IO, CMP, CAM, TAR, BAL)

Transposition

- Ukraine on the right way
- ECS Report on IO NC implementation (updated in May 2020)
- ECRB Report on congestions 2020
- Soon available: ECRB Report on congestions 2021; ECRB Report on allowed revenues for transmission; ECRB Report on conditionalities for in contracts for standard capacity products for firm capacity

Implementation
ECRB Report on allowed revenues - scope

Countries covered: ALB, ARM, CRO, GEO, MDA, MKD, SRB, UKR

- Regulatory framework and process
- OPEX
- CAPEX
- RAB & WACC
- Depreciation
- Adjustments and incentives
Regulatory framework

Rate of return + price cap; reg.period not less than 6 months

Regulatory periods:
- 5 years in CRO, MDA and MKD
- 3 years in GEO, UKR: 1st reg.period
- 3 years, then 5 years

Hybrid
- ARM

Revenue cap
- CRO, GEO, MDA, MKD, UKR

Rate of return
- ALB, SRB

Regulatory period: 1 year
Operating expenditures

Efficiency factors used in:
- CRO: 1%
- GEO: 2%
- MDA: 20%
- UKR: 1%
## Capital expenditures

<table>
<thead>
<tr>
<th>Ex ante approval</th>
<th>with ex post review</th>
<th>ALB, CRO, GEO, MKD, SRB</th>
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<tr>
<td>with ex post review</td>
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<td>UKR</td>
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<td>ARM, MDA</td>
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**Tendering for large transmission system expansions required in all cases except MDA**

**Energy efficiency for CAPEX not used**
Evaluation of assets:

- **Historical value**: ALB, GEO, MDA, MKD, SRB
- **CRO**: revaluation done in the framework of unbundling process (2001)
- **UKR**: for assets constructed before incentive regulation was introduced - revaluation, for those created afterwards - historical value
- **ARM**: for assets constructed before 2001 an historical costs were used, for assets constructed after 2001, the cost of purchase or constructing approved in investment programs
Weighted average cost of capital

UKR: 13,5% post-tax

ALB: 4,91% vanilla (post-tax on equity, pre-tax on debt)
Report on contractual congestions (1)

- Based on Annex I of Gas Regulation (EC) No 715/2009 related to congestion management rules

- Monitoring report on congestion at gas IPs with respect to firm capacity products sold in the previous year, for the years 2020, 2021 and 2022

- Identification of contractual congestions based on auctions was possible only for UKR IPs - first CAM NC auctions held in July 2020

- Other possible indicators used: unsuccessful capacity requests, non-offer of capacity, offer of interruptible capacity and trade on secondary market
Report on contractual congestions (2)

- Limited access to information on bookings for GEO and MKD
- In MDA all and in SRB most of the capacity in 2020 booked on yearly basis, in SRB also several monthly products were sold
- No bookings beyond 2020
- Interruptible capacity offered in SRB (for gas year 2019/2020) and UKR

**UKRAINE:**

- all capacity products available and booked at reserve prices, in line with CAM NC
- GSA and RBP used for capacity allocation
- Merging of IPs into Bereg VIP (Beregovo and Beregdaroc) and GCP GAZ-SYSTEM/UA TSO VIP (Drozdovychi and Hermanovychi) since 1 May 2020 i.e 1 July 2020
NRAs of the CPs do not have to request transmission system operators to apply firm day-ahead use-it-or-lose-it mechanism.

ECRB identified a number of obstacles stemming from data availability, consistency and reliability and invites the TSOs to comply without delay with transparency-related provisions of Regulation (EC) 715/2009 and, in particular, Annex I of that regulation.

ECRB invites Governments, NRAs and TSOs of the CPs and, where relevant, neighboring EU MSs, to enable full implementation of CMP Guidelines and CAM NC on interconnection points between the CPs and between the CPs and EU MSs.

ECRB recognizes the efforts and substantial progress towards full CMP and CAM NC implementation in Ukraine in 2020.
Thank you for your attention!

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