

TRANSPARENCY ON TRANSMISSION TARIFFS

GAS YEAR 2021-2022

Information to be published pursuant to article 29 of

Commission Regulation (EU) 2017/460

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Introduction

[Commission Regulation \(EU\) 2017/460](#) of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas ("Tariff NC"), including rules on the application of a reference price methodology, on the calculation of reserve prices for standardized capacity products and on the publication requirements, among others. The publication requirements are defined in articles 29 and 30 of the Tariff NC.

Article 29 refers to the information to publish before the annual yearly capacity auction, and refers to standard capacity products for firm capacity and for interruptible capacity, covering information on reserve prices, multipliers, seasonal factors and evaluation of the probability of interruption. This information must be published no later than 30 days before the annual yearly capacity auction.

Article 30 refers to the information to publish before the tariff period, and refers to the information associated with the approval of transmission tariffs for natural gas, covering information on the determination of allowed revenues and tariffs. This information must be published no later than 30 days before the tariff period.

This document ¹ presents the information required under article 29 of the Tariff NC. The information required under article 30 will be published in a separate document no later than 30 days before the tariff period, which starts on October 1st.

Legal notice

The information provided in this document aims to comply with the provisions of article 29 of Commission Regulation (EU) 2017/460 of 16 March 2017, establishing a network code on harmonised transmission tariff structures for gas, not dispensing with the consultation of the ERSE Directive 8/2021, of 1 June 2021 ², which approves the tariffs and prices for natural gas for the gas year 2021-2022. In case of discrepancy, the information published by the ERSE Directive 8/2021 prevails over the information disclosed in this document.

¹ Available at ERSE's [webpage](#).

² Subject to subsequent publication in the Official Journal (*Diário da República*).

Art. 29 (a) Information for standard capacity products for firm capacity

The gas transmission network in Portugal has a Virtual Interconnection Point (VIP) at the border with the Spanish transmission network, denominated as VIP Iberico. VIP Iberico consists of the combination of the two interconnection points existing on the Portugal-Spain border, namely the Campo Maior-Badajoz point and the Valença do Minho-Tuy point.

VIP Iberico is the only point on the transmission network subject to Commission Regulation (EU) 2017/460, of 16 March, establishing a network code on capacity allocation mechanisms in gas transmission systems.

Currently, all existing capacity products on each side of the border between Portugal and Spain are offered, namely the standard capacity product types (5-years, yearly, quarterly, monthly, daily and within-day). ERSE sets the reserve prices for standard firm capacity products at VIP Iberico for a tariff period of one year coinciding with the timeframe of the yearly standard capacity products.

Art. 29(a)(i) Reserve prices

The following two tables present the reserve prices for the standard capacity products for firm capacity at VIP Iberico during gas year 2021-2022 (October - September), namely at the entry point from VIP Iberico (Table 1) and at the exit point to VIP Iberico (Table 2).

Table 1 - Reserve prices of the standard capacity products for firm capacity at the entry point from VIP Iberico, gas year 2021-2022

PRICES OF THE TRANSMISSION TARIFF: ENTRY POINTS	
Firm capacity products (daily horizon or higher)	
VIP Iberico	Contracted capacity
	EUR/(kWh/day)/day
Annual	0,00010143
Quarterly	0,00013186
Monthly	0,00015215
Daily	0,00020286

PRICES OF THE TRANSMISSION TARIFF: ENTRY POINTS	
Firm capacity products (within-day horizon)	
VIP Iberico	Contracted capacity
	EUR/(kWh/h)/h
Within-day	0,00022315

Table 2 - Reserve prices of the standard capacity products for firm capacity at the exit point to VIP Iberico, gas year 2021-2022

PRICES OF THE TRANSMISSION TARIFF: EXIT POINTS	
Firm capacity products (daily horizon or higher)	
VIP Iberico	Contracted capacity
	EUR/(kWh/day)/day
Annual	0,00002222
Quarterly	0,00002888
Monthly	0,00003332
Daily	0,00004443

PRICES OF THE TRANSMISSION TARIFF: EXIT POINTS	
Firm capacity products (within-day horizon)	
VIP Iberico	Contracted capacity
	EUR/(kWh/h)/h
Within-day	0,00004887

Standard firm capacity products longer than one year have reserve prices equal to the yearly product applicable at the time of capacity utilization.

Art. 29(a)(ii) Multipliers and seasonal factors

The multipliers applicable to non-yearly capacity products at VIP Iberico are provided in Table 3.

Table 3 - Multipliers applied to reserve prices for non-yearly standard capacity products, gas year 2021-2022

MULTIPLIERS OF THE TRANSMISSION TARIFF	
Entry points and exit points	
VIP Iberico	
Quarterly product	1,3
Monthly product	1,5
Daily product	2,0
Within-day product	2,2

Standard firm capacity products longer than one year have reserve prices equal to the yearly product, corresponding to unitary multipliers.

Seasonal factors are not applied.

Art. 29(a)(iii) Justification for the level of multipliers

In line with the position expressed by stakeholders in the sector on previous occasions, ERSE has privileged the stability of multipliers³. Multipliers for quarterly, monthly and daily products have been constant since gas year 2013-2014. The multiplier for intraday products has been constant since gas year 2016-2017.

Article 28(3)(a) of the Tariff NC refers to five criteria to take into account in the approval of multipliers by the national regulatory authority⁴. ERSE considers that the current level of multipliers meets the five criteria for multipliers.

The first criterion, of a balance between short-term gas trade and long-term signals for efficient investment, is considered satisfied as market agents reserve capacity at VIP Iberico in the various horizons of capacity products, with a significant value for the annual horizon before the covid-19 pandemic. The multipliers for non-yearly standard capacity products should represent a balance between two opposite objectives. On the one hand, multipliers should be high enough such that long-term bookings are not discouraged as investments in transmission assets have a long-term perspective. On the other hand, multipliers should be low enough to avoid the creation of barriers for short-term bookings, which would hamper flexibility and the entry of new players into the market. Moreover, multipliers should increase as the duration of the product type decreases, encouraging capacity bookings that give greater predictability to the management of the system.

The second criterion, of the impact on revenue recovery, is ensured through the stability of the multipliers, which has allowed ERSE to estimate the use of VIP Iberico in the various time horizons with greater certainty, mitigating the risk of revenue deviations due to changes in multipliers. Given the approved multipliers, ERSE estimates the use of VIP Iberico for each product based on an algorithm to optimize the payment of the transmission tariff by market agents, taking into account the intra-annual volatility of demand.

In view of the third criterion, cross-subsidization between network users is avoided as the same multipliers are applied for the two supply entry points of the Portuguese system, represented by VIP Iberico and the

³ For instance in the response to the [Public Consultation n.º 66](#) of ERSE.

⁴ The criteria are: (i) the balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system; (ii) the impact on the transmission services revenue and its recovery; (iii) the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices; (iv) situations of physical and contractual congestion; (v) the impact on cross-border flows.

LNG terminal in Sines. Since the same multipliers are applied for capacity products with the same duration across these two entry points, in the event of greater short-term volatility it is not expected that multipliers will be a determinant factor for gas supply to consider one specific entry point over the other.

In the fourth criterion, on situations of physical and contractual congestion, this situation is not applicable to Portugal since physical congestion has never been recorded at VIP Iberico, nor the application of risk premia in the respective capacity auctions.

Finally, in the criterion related to cross-border flows, multipliers are considered to be neutral for cross-border flows, since the same multipliers are applied in both directions of VIP Iberico and on the two supply entry points of the Portuguese system.

[Art. 29\(a\)\(iv\) Justification for the application of the seasonal factors](#)

Seasonal factors are not applied at VIP Iberico.

Art. 29(b) Information for standard capacity products for interruptible capacity

The transmission system operator in Portugal provides at VIP Iberico, at the border with the Spanish transmission network, standard capacity products for interruptible capacity for daily and within-day bookings.

These products comply with the rules in the network code on capacity allocation mechanisms in gas transmission systems established by Commission Regulation (EU) 2017/459.

Art. 29(b)(i) Reserve prices

In accordance with article 167 of the Tariff Regulation for the gas sector⁵, revised at the beginning of the year 2021, reserve prices of products for interruptible capacity relating to the points of entry and exit of the transmission network include an ex-ante discount or an ex-post discount, to be decided annually by ERSE.

In the gas year 2021-2022, an ex-ante discount applies to the standard capacity products for interruptible capacity at VIP Iberico. In the previous gas year, an ex-post discount was applied.

The following two tables present the reserve prices for the standard capacity products for interruptible capacity at VIP Iberico during gas year 2021-2022 (October - September), namely at the entry point from VIP Iberico (Table 4) and at the exit point to VIP Iberico (Table 5).

Table 4 - Reserve prices of the standard capacity products for interruptible capacity at the entry point from VIP Iberico, gas year 2021-2022

PRICES OF THE TRANSMISSION TARIFF: ENTRY POINTS	
Interruptible capacity products (daily horizon)	
VIP Iberico	Contracted capacity
	EUR/(kWh/day)/day
Daily	0,00018846

PRICES OF THE TRANSMISSION TARIFF: ENTRY POINTS	
Interruptible capacity products (within-day horizon)	
VIP Iberico	Contracted capacity
	EUR/(kWh/h)/h
Within-day	0,00020731

⁵ [Regulation n.º 368/2021](#), of 28 of April of 2021 (in Portuguese).

Table 5 - Reserve prices of the standard capacity products for interruptible capacity at the exit point to VIP Iberico, gas year 2021-2022

PRICES OF THE TRANSMISSION TARIFF: EXIT POINTS	
Interruptible capacity products (daily horizon)	
VIP Iberico	Contracted capacity
	EUR/(kWh/day)/day
Daily	0,00004128

PRICES OF THE TRANSMISSION TARIFF: EXIT POINTS	
Interruptible capacity products (within-day horizon)	
VIP Iberico	Contracted capacity
	EUR/(kWh/h)/h
Within-day	0,00004540

The ex-ante discount applied at the point of entry from VIP Iberico and at the point of exit to VIP Iberico is 7,1%. Its calculation follows from the formula presented in paragraph 2 of article 16 of the Tariff NC⁶, and results from a unitary adjustment factor (A=1) and a probability of interruption of 7,1% (Pro=7,1%). The interruption probability value is justified in the following point.

Art. 29(b)(ii) Assessment of the probability of interruption

The discount to be applied to standard capacity products for interruptible capacity at VIP Iberico is approved by ERSE. In case the ex-ante discount is applied, ERSE sets the adjustment factor (A) and the probability of interruption (Pro), after a proposal by the transmission system operator.

In view of the absence of physical or commercial congestion at VIP Iberico, the transmission system operator developed a theoretical model to be able to simulate the occurrence of congestion situations, and thus estimate the probability of interruption at VIP Iberico. The value obtained for the Pro parameter is 7,1%. In the case of the adjustment factor, the transmission system operator proposes a unit value (A=1).

After analysing the assessment of the probability of interruption, prepared by the transmission system operator, ERSE adopted the proposed values.

⁶ According to the aforementioned article, the ex-ante discount results from the following expression: $D_{\text{ex-ante}} = \text{Pro} \times A \times 100\%$, where «Pro» is the probability of interruption and «A» is the adjustment factor to reflect the estimated economic value of the type of standard capacity product for interruptible product.