
TARIFF NETWORK CODE (TAR NC), COMMISSION REGULATION (EU) 2017/460, ARTICLE 30 1 (B)

“INFORMATION TO BE PUBLISHED BEFORE THE TARIFF PERIOD”

GAS YEAR 2017-2018

This Regulation establishes a network code setting out the rules on harmonised transmission tariff structures for gas, including rules on the application of a reference price methodology, the associated consultation and publication requirements as well as the calculation of reserve prices for standard capacity products. This Regulation shall be binding in its entirety and directly applicable in all Member States, since April of 2017, subject to different deadlines for entry into force for certain matters.

The Regulation requires regular public consultations on the reference price methodology, which is defined as the methodology applied to the part of the transmission services revenue to be recovered from capacity-based transmission tariffs with the aim of deriving reference prices.

One of the crucial step in reaching the objectives of this Regulation is to increase the transparency of transmission tariff structures and procedures towards setting them. Therefore, it is necessary to set out the requirements for publishing the information related to the determination of the revenues of transmission system operators and to the derivation of different transmission and non-transmission tariffs. These requirements should enable network users to better understand the tariffs set for transmission services and regulated non-transmission services provided by the transmission system operator, as well as how such tariffs are established, their historical variation and future changes.

Under the terms established in no. 1, al. b) of article 30 of the Regulation, this document publishes the information regarding revenues and the distribution on capacity and energy components of transmission tariffs, for 2017-2018 gas year.

Commission Regulation (EU) 2017/460, Article 30 "Information to be published before the tariff period" Gas year 2017/2018			
Scope	Article 30(1)(b) number	Description	Information
Revenue Level	Article 30 (1)(b)(i)	Allowed/target revenue	81 156 thousand euros
	Article 30 (1)(b)(ii)	Yearly changes to allowed / target revenue	-12,2% (compared with year gas 2016/2017)
	Article 30 (1)(b)(iv)	Transmission services revenue	81 156 thousand euros
Parameters Level	Article 30 (1)(b)(iii)(1)	Types of assets in RAB and their aggregated value	629 731 thousand euros (net asset value)
	Article 30 (1)(b)(iii)(2)	Cost of capital and calculation methodology	Gas TSO WACC for 2016 was 6.05%. Pre-tax nominal WACC. Capital Asset Pricing Model (CAPM) methodology for cost of equity and a default spread methodology for cost of debt. The WACC to be applied in the regulatory period Jul.2016-Jun.2019, is indexed to the Portuguese 10 year bond benchmark and depends, in each year, on its evolution, with a cap (9.0%) and a floor (5.4%).
	Article 30 (1)(b)(iii)(3)	Capital expenditures	67 822 thousand euros
	Article 30 (1)(b)(iii)(3)(a)	Methodologies to determine the initial values of assets	For the first regulatory period (2007) the RAB was re-evaluated by the government (ICR).
	Article 30 (1)(b)(iii)(3)(b)	Methodologies to re-evaluate assets	No revaluation of assets (ICR)
	Article 30 (1)(b)(iii)(3)(c)	Explanation of the evolution of the value of assets	Assets grow annually by the addition of new assets and the deduction of assets write-offs and subsidies
	Article 30 (1)(b)(iii)(3)(d)	Depreciation periods and amounts per asset type	Annual depreciation (See Annex I – average rate of depreciation per asset type)
	Article 30 (1)(b)(iii)(4)	Operation expenditures	18 638 thousand euros
	Article 30 (1)(b)(iii)(5)	Incentive mechanisms and efficiency targets	A <i>price cap</i> methodology is applied in the operational expenditures, with a fixed part and a variable amount indexed to the evolution of physical variables (used exit capacity based on a daily maximum over a 12 month period and an annual efficiency target of 3%).
	Article 30 (1)(b)(iii)(6)	Inflation indices	GDP deflator (1,5%)
Reconciliation and regulatory account, where TSO functions under a non-price cap regime Article 30 (1)(b)(vi)	Article 30 (1)(b)(vi)(1)	Actually obtained revenue	In the last real year (2015) the amount was 119 410 thousand euros
		under- or over-recovery of allowed revenue	In 2015 the billing was higher than the allowed revenues based in real values
		part of under- or over recovery attributed to reg. account / sub-accounts	+ 5 971 thousand euros
	Article 30 (1)(b)(vi)(2)	Reconciliation period	2 years
		Incentive mechanisms implemented	Not applicable
Article 30 (1)(b)(vii)	Intended use of the auction premium	Until the present date there was no auction premium obtained	

Transmission tariffs – revenue ratios	Article 30º (1)(b)(v)(1)	Capacity-commodity split, meaning the breakdown between the revenue from capacity-based transmission tariffs and the revenue from commodity-based transmission tariffs	Capacity – 99% Commodity – 1%
	Article 30º (1)(b)(v)(2)	Entry-exit split, meaning the breakdown between the revenue from capacity-based transmission tariffs at all entry points and the revenue from capacity-based transmission tariffs at all exit points	Entry capacity - 26% Exit capacity - 74%
	Article 30º (1)(b)(v)(3)	Intra-system/cross-system split, meaning the breakdown between the revenue from intra-system network use at both entry points and exit points and the revenue from cross-system network use at both entry points and exit points calculated as set out in Article 5.º	Intra-system – 100% Cross-system – 0%

Note:

1 – See the presentation “[Portuguese energy regulatory framework for TSO allowed revenues](#)”

2 - Portuguese Information has link to all document published in Portuguese language ([Proveitos permitidos e ajustamentos para o ano gás 2017/2018 das empresas reguladas do setor do gás natural](#))

ANNEX I

Description	Average rate of depreciation
Land and natural resources	2,53%
Buildings and other constructions	2,57%
Basic Equipment	2,81%
Transport Equipment	15,70%
Tools and Utensils	17,04%
Office Equipment	15,43%
Other tangible fixed assets	0,05%