

## **TRANSPARENCY ON TRANSMISSION TARIFFS**

Information to be published pursuant to Article 29 of  
Commission Regulation (EU) 2017/460

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Table of contents

**INTRODUCTION ..... 1**

**ART. 29 (A) INFORMATION FOR STANDARD CAPACITY PRODUCTS FOR FIRM CAPACITY..... 2**

Art. 29(a)(i) Reserve prices ..... 2

Art. 29(a)(ii) Multipliers and seasonal factors..... 3

Art. 29(a)(iii) Justification for the level of multipliers..... 4

Art. 29(a)(iv) Justification for the application of the seasonal factors ..... 5

**ART. 29(B) INFORMATION FOR STANDARD CAPACITY PRODUCTS FOR INTERRUPTIBLE CAPACITY ..... 6**

Art. 29(b)(i) Reserve prices ..... 6

Art. 29(b)(ii) Assessment of the probability of interruption ..... 7

## Introduction

[Commission Regulation \(EU\) 2017/460](#) of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas ("Tariff Network Code"), 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 Network Code.

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<sup>1</sup> presents the information required under article 29 of the Tariff Network Code. 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 1<sup>st</sup>.

### **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 11/2020, of 1 June 2020<sup>2</sup>, which approves the tariffs and prices for natural gas for the gas year 2020-2021. In case of discrepancy, the information published by the ERSE Directive 11/2020 prevails over the information disclosed in this document.*

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<sup>1</sup> Available at ERSE's [webpage](#).

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

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

The natural 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 2020-2021 (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 2020-2021**

USE OF THE TRANSMISSION SYSTEM TARIFF	CONTRACTED CAPACITY (firm capacity product)	
	EUR/(kWh/d)/d	EUR/(kWh/h)/h
(by entry point)		
VIP Iberico (Campo Maior, Valença do Minho)		
Annual	0,00009482	
Quarterly	0,00012327	
Monthly	0,00014223	
Daily	0,00018964	
Within-day		0,00020860

**Table 2 - Reserve prices of the standard capacity products for firm capacity at the exit point to VIP Iberico, gas year 2020-2021**

USE OF THE TRANSMISSION SYSTEM TARIFF (by exit point)	CONTRACTED CAPACITY (firm capacity product)	
	EUR/(kWh/d)/d	EUR/(kWh/h)/h
VIP Iberico (Campo Maior, Valença do Minho)		
Annual	0,00002859	
Quarterly	0,00003716	
Monthly	0,00004288	
Daily	0,00005717	
Within-day		0,00006289

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 2020-2021**

USE OF THE TRANSMISSION SYSTEM TARIFF (by entry point and exit point)	MULTIPLIERS
VIP Iberico (Campo Maior, Valença do Minho)	
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 multipliers.<sup>3</sup> 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 Network Code refers to five criteria to take into account in the approval of multipliers by the national regulatory authority.<sup>4</sup> 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 signs 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. 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 reserves are not discouraged as investments in transmission assets have a long-term perspective and the recovery of transmission revenues should consider this. On the other hand, multipliers should be low enough to avoid the creation of barriers for short-term bookings, which would hamper tariff flexibility and the entry of new players into the market. Moreover, the 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 the multipliers. Given the approved multipliers, ERSE estimates the use of VIP Iberico 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 points of the Portuguese system, represented by VIP Iberico and the LNG terminal in Sines. Since the same multipliers are applied for the equivalent horizons of the two entry points,

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

<sup>4</sup> 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.

in the event of greater short-term volatility it is not expected that multipliers will be a determinant factor for gas supply to be ensured by a specific entry point of the transmission network.

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 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.

#### [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**

Due to the absence of interruptions due to physical congestion, pursuant to the Tariff Code<sup>5</sup> of the natural gas sector, the reserve prices of standard capacity products for interruptible capacity will be equal to the reserve prices of standard capacity products of the same type, subject to an *ex-post* discount.

The following two tables present the reserve prices for the standard capacity products for interruptible capacity at VIP Iberico during gas year 2020-2021 (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 2020-2021**

USE OF THE TRANSMISSION SYSTEM TARIFF	CONTRACTED CAPACITY (interruptible capacity product)	
	EUR/(kWh/d)/d	EUR/(kWh/h)/h
(by entry point)		
VIP Iberico (Campo Maior, Valença do Minho)		
Daily	0,00018964	
Within-day		0,00020860

<sup>5</sup> [Regulation n.º 361/2019, of 23 April 2019](#), altered by Regulation n.º 455/2020, of 8 May 2020.

**Table 5 - Reserve prices of the standard capacity products for interruptible capacity at the exit point to VIP Iberico, gas year 2020-2021**

USE OF THE TRANSMISSION SYSTEM TARIFF (by exit point)	CONTRACTED CAPACITY (interruptible capacity product)	
	EUR/(kWh/d)/d	EUR/(kWh/h)/h
VIP Iberico (Campo Maior, Valença do Minho)		
Daily	0,00005717	
Within-day		0,00006289

In gas year 2020-2021 standard capacity products for interruptible capacity at VIP Iberico will be subject to the *ex-post* discount. The *ex-post* discount consists in an *ex-post* compensation to be paid to the holder of the interruptible capacity product. The compensation shall be paid for each day on which an interruption occurred and shall be equal to three times the reserve price for daily standard capacity products for firm capacity, applicable to the contracted capacity of the interrupted product.

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

As mentioned before, in the absence of a capacity interruption due to physical congestion in the previous gas year an *ex-post* discount shall be applied to the standard interruptible capacity products at VIP Iberico. If an interruption due to physical congestion had taken place in the previous gas year, an *ex-ante* discount would be applied, which should reflect the probability of interruption.

The transmission system operator (TSO) has submitted to ERSE its assessment of the probability of interruption<sup>6</sup> and has concluded that no interruption due to physical congestion has occurred to date. Given the absence of historical data usable for the calculation of probability values based on realistic scenarios, the TSO has developed a theoretical model to estimate the probability of interruption, which led to a value of 2,5% for the different standard capacity products for interruptible capacity at VIP Iberico.

Independently from the value obtained for the probability of interruption, it is important to underline that during gas year 2020-2021 the *ex-post* discount shall be applied to the standard capacity products for interruptible capacity at VIP Iberico.

<sup>6</sup> Assessment available on the ERSE [website](#) dedicated to the transparency of transmission tariffs, as well as on the TSO [website](#).