

PUBLIC CONSULTATION 117

REPORT

Summary of the responses to the periodic consultation in
accordance with Article 26 of the Network Code on
harmonised transmission tariff structures for gas

GAS SECTOR

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1 INTRODUCTION

Commission Regulation (EU) 2017/460, of 16 March 2017, establishes a network code on harmonised transmission tariff structures for gas (hereafter Tariff Network Code), setting rules on the application of a reference price methodology and on consultation requirements, among others.

Under Article 26 of the Tariff Network Code, ERSE launched, on 4 October 2023, Public Consultation No. 117¹. The public consultation process, which took place between 4 October and 4 December 2023, led to responses from five entities. The list of entities participating in the public consultation is in the next table.

Advisory bodies of ERSE	<ul style="list-style-type: none">▪ Tariff Council (CT)
Transmission network operators	<ul style="list-style-type: none">▪ REN Gasodutos (REN)
Suppliers	<ul style="list-style-type: none">▪ EDP Comercial²▪ Endesa
Other entities	<ul style="list-style-type: none">▪ EDP S.A. (EDP)

In accordance with Article 26(3), within one month from the end of the consultation process, the responses to the consultation and its synthesis should be published, desirably with a synthesis in English. This document, and its Portuguese version, comply with this legal requirement.

The next steps of Public Consultation No. 117 involve the publication by the European Union Agency for the Cooperation of Energy Regulators (ACER), of a consultation analysis report, with non-binding comments, in accordance with article 27(3) of the Tariff Network Code. Finally, within five months following the end of the public consultation, the national regulatory authority must publish a motivated decision on all the elements provided for in Article 26(1) of the Tariff Network Code³. The resulting motivated decision will have effects as of gas year 2024-2025, and will take into account the comments received, including the ACER analysis report and the responses of the various entities. Along with the approval and publication of the motivated decision, ERSE will also provide a report identifying the issues that gave rise to comments,

¹ Access all documents under: [Public Consultation No. 117](#) – Periodic consultation in accordance with Article 26 of the Network Code on harmonised transmission tariff structures for gas.

² The comments and suggestions of this supplier are reflected in the document submitted by EDP S.A..

³ After the publication of the motivated decision, the national regulatory authority shall send its decision to ACER and the European Commission, in accordance with article 26(4) of the Tariff Network Code.

providing a justified reaction to the same and indicating, whenever possible, whether or not they were considered in the motivated decision.

Legal disclaimer

This document is published in Portuguese and English. In case of different interpretations, the Portuguese version prevails.

2 RESPONSES RECEIVED

This chapter summarizes, by topic, the responses received, putting them into context with a summary of ERSE's proposal.

2.1 REFERENCE PRICE METHODOLOGY

SUMMARY OF ERSE'S PROPOSAL

Maintain the current reference price methodology, designated as modified capacity-weighted distance methodology (modified CWD⁴ methodology). When compared to the motivated decision of 2019, the main changes consist of utilizing a complete characterisation of the transmission network for the construction of the distance matrix and the replacement of the physical utilization factor⁵ with the commercial utilisation factor⁶.

GENERAL TREND OF THE RESPONSES

There were no responses in opposition to the reference price methodology. The adoption of a complete characterisation of the transmission network in the application of the methodology was considered a positive change (**CT**, **REN**). The replacement of the physical utilisation factor with the commercial utilisation factor, the stability in the entry-exit split and the 100% discounts at the network points with the underground storage were also valued positively by one agent (**REN**). In turn, the **CT** neither opposes the maintenance of the 100% discount at the interface network points with underground storage, nor the option of continuing not to apply seasonal factors at the interconnection points.

⁴ Abbreviation for «capacity weighted distance» (CWD).

⁵ The physical utilisation factor, in the 2019 motivated decision, corresponded to the ratio between a measure for the most relevant physical gas flows and the respective technical capacity, both measured in kWh/day. More information can be found in section 3.2 of [Motivated Decision of 2019](#).

⁶ The commercial utilisation factor, which corresponds to a multiplicative factor, is determined by the ratio between commercial capacity and the technical capacity of a given point.

2.2 TARIFF STRUCTURE OF THE INDICATIVE REFERENCE PRICES

SUMMARY OF ERSE'S PROPOSAL

Although the current reference price methodology is maintained, the update of its parameters affects the tariff structure, with relevant changes in relative prices between the various points of entry and exit of the transmission network.

GENERAL TREND OF THE RESPONSES

Several of the comments refer to the change in the tariff structure of the entry prices from VIP (Virtual Interconnection Point) Iberico and the liquefied natural gas (LNG) terminal, with a relevant increase in the relative price of the LNG terminal. The **CT** stresses that the evolution of the entry price at the LNG terminal will lead to changes in the use of the infrastructure that can go beyond the current expectation, so it advises to track this situation carefully. In addition to representing a loss of competitiveness of the Sines Terminal, compared to VIP Iberico, it may have consequences in the final price of natural gas and in the diversity and security of supply. **REN** also reinforces the need to monitor the changes that will result from this structural change, given the importance of the terminal in terms of gas supply to the system, as well as the short-term disadvantages of its underutilization, namely in terms of the price to charge users and consumers. Since VIP Iberico and the LNG terminal ensure the entry service for supply, **REN** suggests that ERSE evaluates the LNG terminal tariff and the network costs to avoid demand distortion across the Iberian terminals. **EDP** believes that the new tariff structure does not benefit the diversification of supply and the competitiveness of the Portuguese market, as it discourages the use of the LNG terminal as an alternative source of natural gas and favours the dependence on pipeline entries. Additionally, the LNG terminal offers the possibility of importing natural gas from different origins and suppliers, increasing security of supply. This agent underlines that the obligation to diversify the origins of supply can be imposed, based on the provisions of Decree-Law No. 70/2022, of 14 October 2022, so that the supply through the LNG terminal is a key instrument.

There were also comments regarding exit prices, namely the price increase at the exit point to VIP Iberico. **EDP** argues that this increase makes it difficult to export natural gas to Spain, limiting the access of Portuguese operators to a broader and more dynamic market. This situation impairs the integration of the Iberian natural gas markets, which should be based on the harmonization and reduction of tariffs in the interconnection between the two countries, as provided by the European Union.

Finally, the **CT** stresses that since the recovery of allowed revenues is ensured, regardless of the tariff structure between the various points of the transmission network, this aspect is positively evaluated. However, the **CT** suggests to the regulator to monitor if a different price allocation between network points is neutral for gas competitiveness perceived by consumers.

2.3 COMMERCIAL UTILISATION FACTOR

SUMMARY OF ERSE'S PROPOSAL

The commercial utilisation factor, as is the case for other parameters ⁷, will be kept constant until a new periodic consultation on the reference price methodology.

GENERAL TREND OF THE RESPONSES

The **CT** raises questions about the proposal to maintain the commercial utilisation factor constant until a new periodic consultation, since it is being determined based on information from 2019 to 2022. The **CT** considers that to transmit signals of potential congestion, this parameter should be allowed to be updated before a new consultation on the methodology. **REN** also considers that the commercial utilisation factor does not have the stability of other parameters, such as the entry-exit split or the economic value factor, which would justify a greater frequency for its update.

2.4 SHORT-TERM MULTIPLIERS

SUMMARY OF ERSE'S PROPOSAL

In order to review the multipliers applicable to short-term capacity products, which have been unchanged since gas year 2016-2017, a methodology based on the principle that the multiplier of the quarterly, monthly and daily maturity provides revenues equivalent to the annual capacity product. This new approach results in smaller multipliers in the quarterly and monthly products, and in higher multipliers in the daily and within-day products.

⁷ Namely, the entry-exit split and the economic value factor.

GENERAL TREND OF THE RESPONSES

REN considers that the new methodology is a positive change. The **CT**, although having no objections in general, points to the absence of an assessment of short-term use (daily and within-day), which has been especially relevant for combined cycle gas turbines (CCGTs), which today operate in an intermittent regime, more as a backup of renewable power generation. Thus, it recommends that ERSE evaluates and monitors in some detail the impact of multipliers on CCGTs and large consumers who contract short-term capacity products, given that multipliers vary asymmetrically and are comparatively higher than in Spain. This analysis will be relevant to the sustainability of the National Gas System (SNG). **EDP** also warns of the impact on the CCGTs from the increase in short-term (daily and within-day)⁸ multipliers at the entry and exit capacity products of the transmission network, since they affect the supply of these facilities, in particular in a context of increased entry prices at the Sines Terminal.

2.5 ENTRY-EXIT SPLIT

SUMMARY OF ERSE'S PROPOSAL

Maintain an entry-exit split of 28/72, that is, with 28% of the revenues recovered at the entry points and 72% recovered at exit points.

GENERAL TREND OF THE RESPONSES

Endesa argues that a higher weight at the entry points will encourage agents to promote a more efficient use of infrastructure, therefore advocating an approximation to the default split indicated in the Tariff Network Code, that is, an entry-exit split of 50/50. The optimization of the use of entry points of the SNG would maximize the availability of entry capacity, minimizing the need for new capacity. This agent adds that any proposals in this matter must be articulated between Portugal and Spain, especially between their respective regulators.

⁸ Note by ERSE: EDP's comment said that new multipliers are more penalizing in the monthly and daily maturity. However, this statement is only valid for the daily and within-day horizons.

2.6 ENTRY PRICE FOR PRODUCERS CONNECTED TO THE TRANSMISSION AND DISTRIBUTION NETWORKS

SUMMARY OF ERSE'S PROPOSAL

It maintains the current framework, according to which a producer connected to the transmission network must pay an entry price for injecting gas.

GENERAL TREND OF THE RESPONSES

Two agents (**CT**, **REN**) expressed their disagreement with the difference in treatment between producers injecting into the transmission or the distribution networks, since only in the case of gas injection into the transmission network does an entry price apply. The **CT** argues that a technical support for this differentiated treatment of gas producers is lacking, recommending to ERSE a reanalysis of the justification, in order to ensure fair conditions in network access and production, indispensable for project development in the SNG. **REN**, in addition to acknowledging that the regulatory framework at the European level will evolve in the short term, disagrees with the reasons presented by ERSE to the differentiated treatment, with ERSE's justifications based on the existence of a tariff exemption in Spain for injections into the distribution network, the fact that the distribution tariff in Portugal does not have an entry-exit structure and the impossibility to apply tariff exemptions to the transmission tariff under the Tariff Network Code. Thus, it suggests that the structure of the distribution tariff should be updated to prevent it from negatively influencing the connection of gas producers, allowing project development to be guided by technical and economic reasons.

2.7 ELIMINATION OF THE TARIFF AT VIP IBERICO

SUMMARY OF ERSE'S PROPOSAL

It maintains the current framework, defining entry and exit prices for VIP Iberico.

GENERAL TREND OF THE RESPONSES

EDP advocates for the elimination of the tariff at VIP Iberico, to increase liquidity and competition in the Iberian gas market, deepen integration with other European markets, favour security of supply and

diversify gas sources. This decision should not wait for the next periodic consultation. This agent highlights as positive the existence of a joint work between ERSE and CNMC (Comisión Nacional de los Mercados y la Competencia, the Spanish regulator) to evaluate actions that promote the integration of gas markets in Portugal and Spain.

2.8 INTRODUCTION OF A QUARTERLY FLEXIBLE TARIFF

SUMMARY OF ERSE'S PROPOSAL

This topic was not the object of a proposal in the public consultation.

GENERAL TREND OF THE RESPONSES

EDP argues that in the transmission network tariff at exits to customers, contrary to what happens with VIP Iberico and the LNG terminal, there is no tariff for intermediate horizons. That is, in addition to the annual, monthly and daily horizon, this agent advocates the existence of a quarterly flexible tariff, which would be more suitable for quarters with high probability of operation.

Additionally, **EDP** also defends, following the example of what happens in relation to the tariffs applied at the interconnection between Portugal and Spain, that ERSE should conduct a study on the costs of access to the networks supported by CCGTs in Portugal, with the objective of evaluating the ability of the CCGTs to compete on a level playing field with CCGTs in Spain.

2.9 COMMERCIAL STORAGE AT THE UNDERGROUND STORAGE FACILITY

SUMMARY OF ERSE'S PROPOSAL

This topic was not the object of a proposal in the public consultation.

GENERAL TREND OF THE RESPONSES

EDP states that although Regulation (EU) 2022/1032, of 29 June 2022, related to gas storage, contributed to reducing the risks to security of supply and improving European Union competitiveness, it does not

consider the particular circumstances of the Iberian Peninsula, whose supply can be guaranteed largely by LNG loads, contrary to the rest of Europe, which depends on pipeline interconnections. Consequently, the filling obligations of underground storage facilities (e.g., 90% by 1 November 2023) generate challenges in the management of the LNG terminal in Portugal. Accordingly, **EDP** argues that the margin for commercial storage capacity, that results after storage filling for strategic reserves, should be available only in short-term products (e.g., monthly, daily) to allow agents some flexibility for managing gas at the LNG terminal.

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