

Consultation on the level of multipliers, seasonal factors and discounts, to be applied in AB Amber Grid's tariff structure for 2021

**Consultation Document based on Article 28 of Commission
Regulation (EU) 2017/460 of 16 March 2017 establishing a
network code on harmonised transmission tariff structures for
gas (TAR NC)**

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This document has been prepared solely for consultation purposes. It aims at providing information on possible future tendencies and on main expected evolutions. Assumptions and parameters used in this consultation document are indicative best estimates subject to possible changes or corrections. Under no circumstances shall any stakeholder or other entity be entitled to assert any right, claim or other entitlement against LT NRA or LT TSO (or either their employees) as a result, or on the basis of this consultation document.

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1. GLOSSARY OF TERMS AND ABBREVIATIONS

Term	Definition / Meaning
ACER	The European Union Agency for the Cooperation of Energy Regulators
Allowed Revenue	The transmission services revenue that TSO is entitled to recover in a given tariff period, as approved by the LT NRA.
Domestic Exit Point	Exit points to Lithuanian natural gas distribution systems and Lithuanian consumers' systems directly connected to the Lithuanian natural gas transmission system, corresponding one exit point (Domestic Exit Point) for all Lithuanian natural gas transmission system users
Firm capacity	Gas transmission capacity the uninterruptibility of which the TSO guarantees under the contract concluded between the TSO and the system user.
Interconnection Point	A physical point connecting TSO's Entry-Exit system with the adjacent transmission system operator's system.
Interruptible capacity	Gas transmission capacity, which may be interrupted by the TSO under the conditions laid down in the Access Rules ¹ .
Multiplier	The factor applied to the respective proportion of the reference price in order to calculate the reserve price for a non-yearly standard capacity product.
Reference Price	The tariff for a firm capacity product with a duration of a year, calculated using given reference price methodology.
Reference Price Methodology	The methodology applied to the part of transmission services revenue to be recovered from capacity-based transmission tariffs and used to derive the reference prices.
Regulatory account	An account managed by NRA for the transmission and non-transmission services pricing purposes, aggregating under- and over-recovery of the transmission and non-transmission services, differences between forecasted and actual bookings, gas flows, level of costs, return on investments, efficiency gains and other differences, which have significant impact on TSO's activities, which are evaluated periodically (each year or few times per regulatory period depending on the nature of the difference) by the NRA.
Reserve Prices	The reference price, which is an annual capacity price for a firm product, becomes the basis for the calculation of the auction prices of the non-yearly products, known as reserve prices. As there is no auction premium the reserve price is equal to the tariff of the capacity products.
Seasonal Factors	The factor reflecting the variation of demand within the year, which may be applied in combination with the relevant multiplier.
Tariff period	The time period – a calendar year – during which a particular level of reference prices and tariffs are applied.

¹[https://www.ambergrid.lt/uploads/documents/Rules%20for%20Access%20to%20the%20Natural%20Gas%20Transmission%20System%20from%201st%20January%202020\(1\).pdf](https://www.ambergrid.lt/uploads/documents/Rules%20for%20Access%20to%20the%20Natural%20Gas%20Transmission%20System%20from%201st%20January%202020(1).pdf)

Transmission services	The regulated services that are provided by the TSO within the Entry-Exit system for the purpose of transmission.
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Abbreviation	Definition or Meaning
EU	European Union
FINESTLAT	Common Entry-Exit zone, created by the following EU Member States – Finland, Estonia and Latvia, the latter two forming one market zone with common tariff arrangements and zero tariff on IP with Finland
IP	Interconnection Point
LNG	Liquefied Natural Gas
LNGT	Liquefied Natural Gas Terminal in Klaipėda
LT NRA	National Energy Regulatory Council (Lithuanian NRA)
NRA	National Regulatory Authority, LT NRA - Lithuanian National Regulatory Authority, National Energy Regulatory Council
RPM	Reference Price Methodology
TAR NC	Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas
TSO, LT TSO	Transmission System Operator in Lithuania – AB Amber Grid

2. PURPOSE, SCOPE AND SUMMARY

According to the Art. 28.1 of TAR NC, NRA is obliged to conduct a consultation with the NRAs of all directly connected Member States and the relevant stakeholders for every tariff period on:

- the level of Multipliers,
- the level of Seasonal Factors, if any,
- the level of discounts set out in the Art. 9.2 of TAR NC – i.e. on discounts, if any, at Entry points from Liquefied Natural Gas (LNG) facilities,
- the level of discounts set out in Art. 9.2 of TAR NC – i.e. on discounts at Entry points from and Exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems – currently not relevant for Lithuanian Entry–Exit system,
- the level of discounts set out in Art. 16 of TAR NC – i.e. on discounts for standard interruptible capacity products.

Therefore, based on the Art. 28 of TAR NC, LT NRA hereby issues the consultation document for the tariff period of 2021 (calendar year).

Considering price setting decision of adjacent FINESTLAT tariff zone, current level of Multipliers for quarterly (Q), monthly (M), daily (D) and within-day (WD) capacity products, Seasonal Factors and

relevant discounts were approved by LT NRA for tariff period of 2020, when adopting its final (motivated) decision².

It is proposed to retain in 2021 all aforementioned aspects the same as in the current (2020) tariff period, except for Seasonal Factors at Domestic and Šakiai Exit points, which would be slightly changed following the insignificantly changing pattern of projected usage rates – distributions of percentage shares of monthly gas flows in relation to annual gas flows in 2021 at the aforementioned points (as per Art. 15.3(a)-(c) of TAR NC) (see Figures 1 and 2):

Figure 1

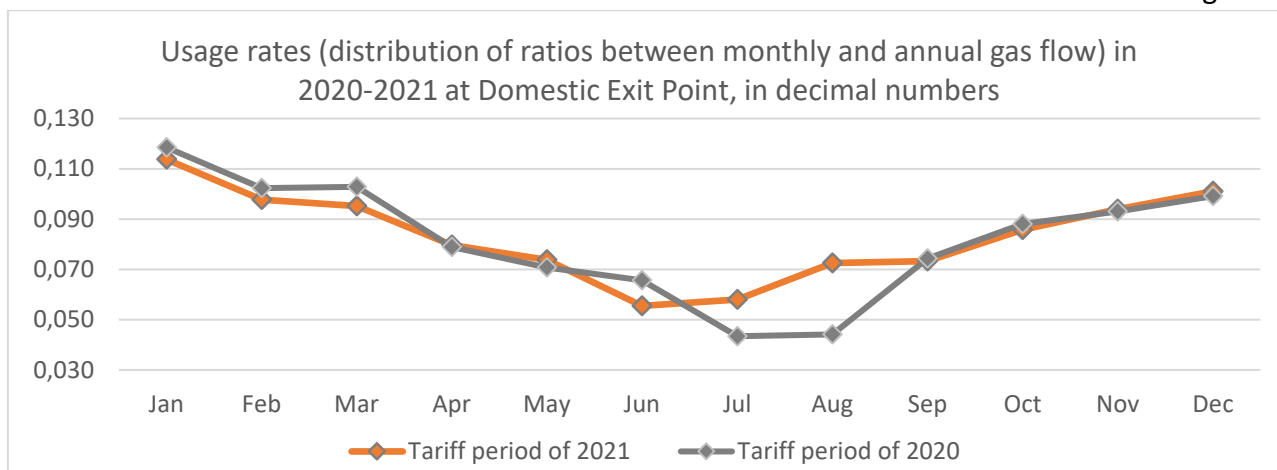
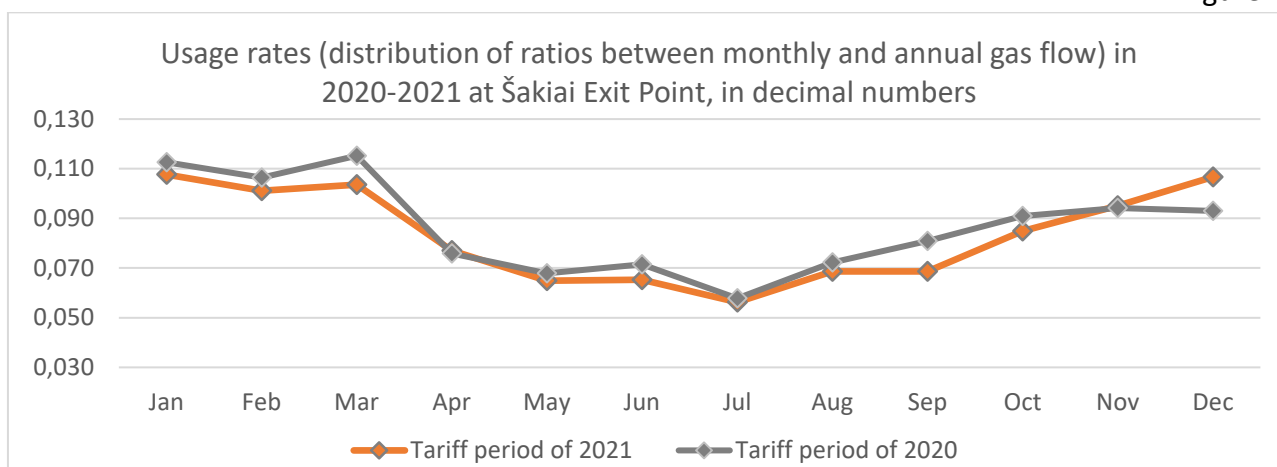


Figure 2



In accordance with Art. 15.2 of TAR NC, a methodology for derivation of Seasonal Factors shall be based on the forecasted flows, unless the quantity of the gas flow at least for one month is equal to 0 (zero). In such case, the methodology shall be based on the forecasted contracted capacity. As it is forecasted that there would be no months of 0 (zero) gas flows in 2021 at relevant Exit points of Lithuanian entry-exit system, the principle that the forecasted gas flows (not forecasted

² By its Resolution No O3E-553 as of 10 October 2019 for LT TSO's gas transmission tariffs for 2020 ("[On the Approval of the Prices for the Natural Gas Transmission Services of Public Limited Liability Company "Amber Grid" for the Year 2020](#)") following the public consultation on methodology on tariffs of LT TSO for 2020-2023 (based on Art. 26 and 28 of TAR NC), which was open from 5 March 2019 until 6 May 2019.

contracted capacity) are used, when deriving the Seasonal factors, will continue to be applied in 2021 (no changes foreseen).

Table 1

Consultation contains	Change Yes / No	Outcome in 2021
<p>MULTIPLIERS Description and justification of the level of multipliers and their application for individual Entry and Exit points.</p>	<p>NO</p>	<p>The same principles for derivation of Multipliers and Seasonal Factors would be applied as in 2020 (for more detailed information see pages 13-15 of LT NRA's Certificate as of 7 October 2019 "On the Approval of the Prices for the Natural Gas Transmission Services of Public Limited Liability Company "Amber Grid" for the Year 2020").</p> <p>Multipliers would not change.</p>
<p>SEASONAL FACTORS Level of seasonal factors, scope and justification of their application, and the calculations of the prices for non-yearly standard firm capacity products, in line with Art. 15 of TAR NC.</p>	<p>YES</p>	<p>Seasonal Factors at Domestic and Šakiai Exit points would be slightly changed due to the renewed data – adjusted forecast of gas flows used for derivation of Seasonal Factors.</p> <p>The multipliers, in combination with seasonal factors, would not change for all (except Domestic and Šakiai) Entry and Exit points. Their methodological setting and levels will fulfil the requirements of TAR NC.</p> <p>Overall result: averagely the same prices of non-yearly (Q, M and D / WD) capacity products as a relative share of yearly capacity products in comparison with the current prices, applied in 2020.</p>
<p>DISCOUNT AT ENTRY FROM LNGT Level of discount at Entry point from Klaipėda LNGT, in line with Art. 9.2 of TAR NC.</p>	<p>NO</p>	<p>The discount at Entry point from Klaipėda LNGT would stay at 75% level.</p>
<p>DISCOUNT FOR INTERRUPTIBLE PRODUCTS Level of discounts and the calculations of the prices for standard interruptible capacity products, in line with Art. 16 of TAR NC.</p>	<p>NO</p>	<p>For interruptible capacity ex-post discount, calculated based on Art. 16.4 of TAR NC, would be retained. I.e. prices of the interruptible transmission services would be equal to the prices of firm capacity, but in the event of actual interruption the users of the system would be provided</p>

		compensation. Compensation for each day on which interruption occurs after purchase of firm capacity products at a given entry or / and exit point would be equal to the price of the daily firm capacity product of that point multiplied by 3 (this amount of compensation is regulated in Art. 16.4 of TAR NC and will be the same as in 2020).
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Setting of allowed revenues of LT TSO, treatment of regulatory account, as well as the reference price methodology and the features thereof (based on periodic consultation as per Art. 26 of TAR NC) is out of scope of this consultation.

The derived tariffs and their projections until then end of the current (2019-2023) regulatory period, provided in the Simplified Tariff Model (as an Annex to this document), are only indicative and cannot be considered as binding neither for LT TSO, nor for LT NRA.

3. INVITATION TO COMMENT

We would like to invite all interested parties to submit any comments and proposals for this consultation document by e-mail to info@vert.lt (with copy to marta.vorobjiova@vert.lt and tariffs@ambergrid.lt) no later than by 17.00 EET on 31 March 2020. Within one month following the end of this consultation all responses received and their summary will be published on LT NRA's website. Therefore, please include a non-confidential version of your response suitable for publication.

Taking into account all comments and proposals to be received from stakeholders and evaluation of responses received following this consultation, LT NRA will publish its motivated decision on the approval of prices for natural gas transmission services for 2021.

4. MULTIPLIERS AND SEASONAL FACTORS

Reference: Article 28(1)(a) – the level of multipliers
 Article 15 Calculation of reserve prices for non-yearly standard capacity products for firm capacity with seasonal factors

In addition to yearly (Y) firm capacity products, LT TSO offers firm capacity products of the following maturity:

- quarterly (Q),
- monthly (M),
- daily (D),
- within-day (WD).

All the capacity products (Y, Q, M, D and WD), in case when all technical capacity is booked on a firm basis, are also offered by LT TSO as interruptible products with an ex-post price discount based on Art. 16 of TAR NC. For more detailed information and examination see the part 6 of this document).

Chapter III of TAR NC requires that Multipliers must be applied for non-yearly capacity products, Seasonal Factors might be applied. The provisions for minimum and maximum level of Multipliers (and their combination with Seasonal Factors) are defined in Art. 13 of TAR NC. LT TSO, in accordance with Art. 13 of TAR NC, applies Multipliers at all Entry and Exit points.

The current level of Multipliers for Q, M, D and WD capacity products, Seasonal Factors and relevant discounts were approved by LT NRA, when adopting its final (motivated) decision (by its Resolution No O3E-553 as of 10 October 2019³) for LT TSO's gas transmission tariffs for 2020 following the public consultation on methodology on tariffs of LT TSO for 2020-2023 (based on Art. 26 and 28 of TAR NC), which was open from 5 March 2019 until 6 May 2019.

It is proposed to retain the same levels of Multipliers for 2021 as they are applied for the current (2020) tariff period. It means that equal Multipliers at all Entry points (which are lower than the maximum thresholds set by Art. 13 of TAR NC), and maximum (as per TAR NC for M and D/WD products) Multipliers at Domestic and Šakiai Exit points will continue to be applied for 2021.

The levels of Multipliers for 2021 together with the Multipliers of current (2020) tariff period are provided below (no changes foreseen).

Table 2

Tariff year	For all Entry points			For (LT>LV) Kiemėnai Exit Point			For LT Domestic and Šakiai Exit points		
	Q	M	D/WD	Q	M	D/WD	Q	M	D/WD
2020	1.10	1.25	1.50	1.10	1.25	1.50	1.25	1.50	3.00
2021	1.10	1.25	1.50	1.10	1.25	1.50	1.25	1.50	3.00

³ Resolution No. O3E-553 as of 10 October 2019 “[On the Approval of the Prices for the Natural Gas Transmission Services of Public Limited Liability Company “Amber Grid” for the Year 2020](#)”.

The NRA must, in accordance with Article 28.3(a) of TAR NC when determining the Multipliers, take into account the following requirements, which are presented in the table below:

Table 3

TAR NC requirements	Compliance assessment
i) the balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system;	<p>TSO invests into infrastructure to meet peak demand, whereas during the remaining year the infrastructure is underutilized. Thus costs of providing short-term transmission capacity do not therefore essentially differ from the costs of providing annual capacity. Therefore the multipliers of Q, M, D/WD capacity products would be set increasingly compared against the proportionate part of the price of a yearly capacity product, i. e. the multiplier increases as the period of the capacity product decreases.</p> <p>Nevertheless, in order to facilitate the short-term trade and cross-border trade and flows, the Multipliers for Entry points would be set at the same level as it was in 2020. Also the same principle as in 2020 will be maintained: higher multipliers are set at LT Domestic and Šakiai Exit points, which usage depends primarily of consumption needs and where the investment signals are more relevant.</p>
(ii) the impact on the transmission services revenue and its recovery;	<p>AR recovery is ensured via converting of estimation of capacity booking of products of all maturities into annual equivalent, as it was done when setting the tariffs for the current (2020) tariff period. This is done using the same multipliers, as in Table 1. Therefore, application of the same multipliers (provided that products by maturity are estimated accurately enough) would enable TSO to recover its AR.</p>
(iii) the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices;	<p>The multipliers are at the same level for all network users at Entry points. Besides, the level of multipliers at Entry points for 2020 have been harmonized with the level applied from 2020 in the adjacent FINESTLAT tariff zone.</p> <p>Maximum (as per TAR NC for M and D/WD products) multipliers are foreseen at Domestic and Šakiai Exit points, where Seasonal Factors are applied, to decrease cross-subsidisation between those who use more gas at a winter time and those who have more stable load throughout the year.</p> <p>Based on the above, there is no evidence of undue cross-subsidization.</p>
(iv) situations of physical and contractual congestion;	<p>Physical and contractual congestion is unlikely.</p>
(v) the impact on cross-border flows.	<p>In order to facilitate cross-border trade and flows, the Multipliers for Entry points would be set at the same (relatively low) level as it was in 2020 (also taking into consideration the level of multipliers applied at FINESTLAT tariff zone).</p>

In addition to the Multipliers, LT TSO applies Seasonal Factors, reflecting high season of the usage of its system during winter months, and low usage in summer months. The principle that Seasonal Factors, as described in Art. 15 of TAR NC, are applied generally at Exit points, is retained for 2021,

however, at Kiemėnai IP, seeking to incentivise cross-border flows, reflecting absence of particular historical seasonality pattern at this point, and also taking into account the fact that Seasonal Factors at Entry and Exit points to / from FINESTLAT tariff area are also not applied, no Seasonality Factors are applied.

Seasonal Factors for 2021 are derived under the same principles as used when calculating Seasonal Factors for 2020, i.e.:

- Seasonal Factors are defined in such a way that they lead to maximum seasonal dependency of the prices (input values, defined in Art. 15 of TAR NC (based on monthly allocations of forecasted gas flows in relevant calendar year for each Exit point where Seasonal Factors are applied), are raised by the power of 2);
- Seasonal Factors for Q capacity products are derived based on provisions of TAR NC from the M capacity products, taking arithmetic mean of the Seasonal Factors of the months of the corresponding quarter. The final Seasonal Factors are rounded to two decimal figures.

The only one reason (which is in line with the Art. 15 of TAR NC) why seasonal factors for 2021 differ from those applied for 2020 is the adjusted data of monthly allocations of forecasted gas flows - i.e. for the tariff period of 2020 forecasted gas flows in 2020 were used, while for the tariff period of 2021 forecasted gas flows in 2021 are used.

In the Simplified Tariff Model, containing tariff estimates until the end of 2019-2023 regulatory period, the same Seasonal Factors for 2022 and 2023 were used, as for 2021 (see Annex). However, separate decision for application of concrete Seasonal Factors will be adopted before setting tariffs for each tariff period based on the annually updated forecasted data of monthly allocations.

Seasonal Factors for LT Domestic Exit point for 2021 and their comparison to 2020:

Table 4

Month	2020			2021		
	Monthly SF	Daily/Within-day SF	Quarterly SF	Monthly SF	Daily/Within-day SF	Quarterly SF
Jan	1.95	1.95	1.63	1.79	1.79	1.45
Feb	1.46	1.46		1.32	1.32	
Mar	1.47	1.47		1.25	1.25	
Apr	0.87	0.87	0.72	0.88	0.88	0.68
May	0.70	0.70		0.75	0.75	
Jun	0.60	0.60		0.43	0.43	
Jul	0.26	0.26	0.43	0.47	0.47	0.64
Aug	0.27	0.27		0.73	0.73	
Sep	0.77	0.77		0.74	0.74	
Oct	1.08	1.08	1.22	1.02	1.02	1.22
Nov	1.20	1.20		1.22	1.22	
Dec	1.37	1.37		1.41	1.41	
Average	1.00	1.00	1.00	1.00	1.00	1.00

Seasonal Factors for Šakiai Exit point for 2021 and their comparison to 2020:

Table 5

Month	2020			2021		
	Monthly SF	Daily/Within-day SF	Quarterly SF	Monthly SF	Daily/Within-day SF	Quarterly SF
Jan	1.63	1.63	1.59	1.60	1.60	1.49
Feb	1.45	1.45		1.41	1.41	
Mar	1.70	1.70		1.48	1.48	
Apr	0.74	0.74	0.66	0.82	0.82	0.66
May	0.59	0.59		0.58	0.58	
Jun	0.65	0.65		0.59	0.59	
Jul	0.43	0.43	0.65	0.44	0.44	0.58
Aug	0.67	0.67		0.65	0.65	
Sep	0.84	0.84		0.65	0.65	
Oct	1.06	1.06	1.10	0.99	0.99	1.27
Nov	1.14	1.14		1.24	1.24	
Dec	1.11	1.11		1.57	1.57	
Average	1.00	1.00	1.00	1.00	1.00	1.00

The newly calculated (adjusted) Seasonal Factors for Domestic Exit point for 2021, capped by the requirements of TAR NC, are in essence at the same level for Q II and Q IV, lower for Q I, higher for Q III of Q capacity products, insignificantly different for months of April-May, September-December, lower for months of January-March, June and higher for months of July-August of M and D/WD capacity products, comparing to those which are applied in 2020. The Seasonal Factors for Šakiai Exit point for 2021, capped by the requirements of TAR NC, are at the same level for Q II, lower for Q I and Q III, higher for Q IV of Q capacity products, insignificantly different for months of January-February, April-August, October-November, lower for months of March, September and higher for month of December of M and D/WD capacity products, comparing to those which are applied in 2020. Overall result of aforementioned changes in non-yearly capacity prices of Domestic and Šakiai Exit points for 2021: averagely the same prices of non-yearly (Q, M and D / WD) capacity products as a relative share of yearly capacity products in comparison with the current prices, applied in 2020.

The NRA must, in accordance with Article 28.3 (b) of TAR NC when determining the seasonal factors, take into account the following requirements:

Table 6

TAR NC requirements	Compliance assessment
(i) the impact on facilitating the economic and efficient utilisation of the infrastructure;	Setting seasonal factors motivates the network users to use the transmission network rather during low load season than during high load season, i. e. incentivises the efficiency of its use.
(ii) the need to improve the cost-reflectivity of reserve prices.	The gas network have been developed and has to be maintained to meet peak demand. The application of seasonal factors therefore improves the cost-reflectivity of the transmission tariffs.

5. DISCOUNT FOR ENTRY POINT FROM LNG TERMINAL

Reference: Article 28(1)(c) – the level of discount set out in Article 9(2)
Article 9(2) – discounts for entry points from LNG facilities

Based on the provisions of Art. 9.2 of TAR NC at Entry points from LNG facilities, a discount may be applied to the respective capacity-based transmission tariffs for the purposes of increasing security of supply.

The same discount of **75 %** as in 2019 - 2020 is planned to be applied at Entry point from LNGT in 2021, thus further fostering diversification of energy sources for Lithuania and the Baltic region and increasing security of supply.

As Klaipėda LNG terminal is the sole large scale alternative supply route in Lithuania and the region, lower entry costs from LNGT would also provide competitive pressure on the prices in the market and increase the economic welfare of Lithuania and other interconnected Member States. Such necessity was also stressed in the so called EU Quo Vadis Study on gas market design for Europe: "<...> increase LNG entry tariffs to the EU transmission grid are highly destructive for EU welfare." (https://ec.europa.eu/energy/sites/ener/files/documents/quo_vadis_executive_summary_16feb18.pdf)).

ACER found LT NRA's approach regarding the discount applied to the Klaipėda LNG entry to be compliant with Art. 9 of TAR NC:

"Regarding the discount applied to the Klaipėda LNG entry, the Agency finds VKEKK's approach to be compliant with Article 9 of the NC TAR. Moreover, the Agency considers, especially in the case of isolated markets with a dominant gas supplier, that the fixed costs related to marginal alternative gas sources (LNG in this case) could be discounted in the transmission tariff. This minimisation of the fixed costs allocated to the additional piece of infrastructure that transports these marginal sources would force the dominant supplier to reduce its margins and compete on a level playing field (which would benefit final consumers on the condition that competition functions properly at the retail market level). The discounts should however be limited to fixed costs; variable costs should be properly reflected by the tariff to preserve the economic efficiency of the transmission system. The same reasoning could apply to the future IP between Lithuania and Poland once the GIPL pipeline is commissioned."

(https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Agency%20Report%20-%20analysis%20of%20the%20consultation%20document%20for%20Lithuania.pdf).

The level of the 75 % discount was estimated taking into account transmission tariffs on LNGT point, regasification price and technological losses of regasification process, in order to increase the competition level on product prices and avoid the different import sources discrimination. Moreover it is relevant that pressure at LNGT entry point is produced during LNG regasification process, which enables transportation of gas from Klaipėda LNG terminal without causing additional variable costs for LT TSO.

6. DISCOUNTS FOR INTERRUPTIBLE CAPACITY

Reference: Article 28(1)(c) – the level of discount set out in Article 16
Article 16 – interruptible capacity and discounts for interruptible capacity

TAR NC establishes that the price of interruptible capacity is calculated on the basis of a discount in relation to the firm capacity price. Pursuant to Art. 16 of TAR NC, this discount can be determined ex-ante (before the occurrence of the interruption), based on the probability of interruption, or ex-post (after the occurrence of the interruption), resulting at a compensation paid to the network users for the interruption.

Historically in Lithuania 10 % *ex-ante* discount was applied for interruptible products. Yet so far the interruptible products have not been used due to absence of contractual congestion.

As in the Lithuanian transmission network points there have been no congestion-driven interruptions so far, it is an absence of historical data usable for the calculation of probability of interruption values, from 2021, based on Art. 16.4 of TAR NC.

Therefore for 2021 it is planned to maintain the application of ***ex-post*** discount for interruptible capacity pricing, whereby network users are compensated after the actual interruptions incurred. The ex-post compensation paid for each day on which an interruption occurred shall be **equal to three times the daily standard capacity product for firm capacity for the volume of interrupted capacity** (the same as in 2020).

7. ANNEXES

Simplified Tariff Model