Croatian Energy Regulatory Agency

Consultation on discounts, multipliers and seasonal factors in accordance with Article 28 of Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas

This document was adopted on 10 April 2025 by the Decision on launching the consultation on discounts, multipliers and seasonal factors, pursuant to Article 28 of Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas, Class: 391-21/24-01/4, Reg. No.: 371-04-25-1

CONTENT

1. THE PURPOSE OF CONSULTATION

The purpose of the consultation is to collect information on the interests, opinions and suggestions of the concerned public and of the national regulatory authorities of all directly connected Member States in order to raise the level of understanding and acceptance of the proposed discounts, multipliers and seasonal factors.

Based on the Act on the Regulation of Energy Activities („Official Gazette“, No. 120/12 and No. 68/18), the Croatian Energy Regulatory Agency (further in text: HERA) as a national body with public authority for regulating energy activities in the Republic of Croatia conducts consultations with the concerned public.

The public consultation is conducted in accordance with Article 28 of Commission Regulation (EU) 2017/460 from 16 March 2017, establishing a network code on harmonised transmission tariff structures for gas (Text with EEA relevance) (further: Regulation 2017/460) regarding multiplier levels, seasonal factor levels and calculations referred to Article 15 of Regulation 2017/460, as well as the level of discounts referred to in Article 9 paragraph 2 and Article 16 of Regulation 2017/460.

This consultation is to be carried out simultaneously with consultation on the proposed reference price methodology in accordance with Article 26 of Regulation (EU) 2017/460.

2. CALCULATION OF LEVEL OF MULTIPLIERS AND SEASONAL FACTORS FOR NON-YEARLY STANDARD CAPACITY PRODUCTS

With the aim of making transparent both transmission tariff structures and procedures towards setting them, Regulation (EU) 2017/460 sets out guidelines for publishing information related to determining the revenues of transmission system operator by performing different transmission and non-transmission tariffs.

Capacity-based transmission tariffs should be presented in a transparent and non-discriminatory manner, considering the actual costs incurred for providing of transmission services, considering the level of complexity of the transmission network. In this manner, users of the transmission system have an insight into the costs on which the transmission tariffs are based and can reasonably anticipate them.

In order to ensure the consistency of regulation it is proposed to continue applying the “postage stamp” principle for determining reference prices of gas transmission services also in the next regulation period. The application of the aforementioned principle ensures the cost-based and non-discriminatory application of transmission tariffs for users, while being simple and transparent in application.

Given the complexity of the Croatian gas transmission network system and the manner in which the system is being used, the “postage stamp” principle for determining tariff items for gas transmission takes into consideration the amount of the operator’s allowed revenue and the forecasted contracted capacity of transmission system entry/exit points, whereby the calculation of tariff items does not consider the distance between entry and exit points.

The distribution of the allowed revenue and the determination of tariff items is based on an entry/exit model of homogeneous points, with the application of the same tariff amounts for

gas transmission for particular entry and exit measuring points for the same group of homogenous points, regardless of the length of the transmission path.

The reference price methodology determines capacity-based transmission tariffs for calculating reference prices for the yearly standard capacity product, while reserve prices for non-yearly standard capacity products are calculated based on the reference price and by using the multipliers' levels and seasonal factors, where applicable.

The cost of capacity bookings refers to the part of costs incurred by providing transmission services, whose level is affected not only by the amount of booked capacity but also by the duration of the capacity booking period, which may be:

- **Quarterly –** capacity contracting on a quarterly level
- **Monthly –** capacity contracting on a monthly level
- **Daily –** capacity contracting on a daily level
- **Within-day –** within-day capacity contracting on an hourly level

The calculation of seasonal factors is based on the average planned monthly gas flow quantities for the years 2026-2030, with the application of the potential coefficient amounting to 2, in accordance with Article 15, paragraphs 2 to 6 of Regulation 2017/460, and is shown in the calculation model available on HERA's website, published alongside this document.

The proposed levels of multipliers, in accordance with the Article 13 of the Regulation 2017/460 shall fall within the following range:

a) For quarterly and monthly standard capacity products the level of respective multiplier shall not be lower than 1 or higher than 1.5;

b) For daily and within-day standard capacity products the level of respective multiplier shall not be lower than 1 or higher than 3;

Accordingly, below is a proposal of the calculated multipliers and seasonal factor levels to be applied at all entry and exit points of the Republic of Croatia's transmission system.

For the following, the fourth regulation period 2026-2030, it is proposed to maintain the same level of multipliers as in the current, third regulation period 2021-2025.

Table 1. Proposed level of multipliers for non-yearly standard capacity products

Capacity products	*Quarterly*	*Monthly*	*Daily/ Within-day*
Level of multipliers	1.2	1.3	2.5

Table 2. Proposed levels of seasonal factors by months

Seasonal factors	*Quarterly*	*Monthly*	*Daily/Within-day*
January	1.3750	1.6154	1.6154
February	1.3750	1.3077	1.3077
March	1.3750	1.0769	1.0769
April	0.7917	0.8462	0.8462
May	0.7917	0.6923	0.6923
June	0.7917	0.6538	0.6538
July	0.9167	0.7308	0.7308
August	0.9167	0.7692	0.7692
September	0.9167	0.9231	0.9231
October	1.3750	1.0769	1.0769
November	1.3750	1.3077	1.3077
December	1.3750	1.6154	1.6154

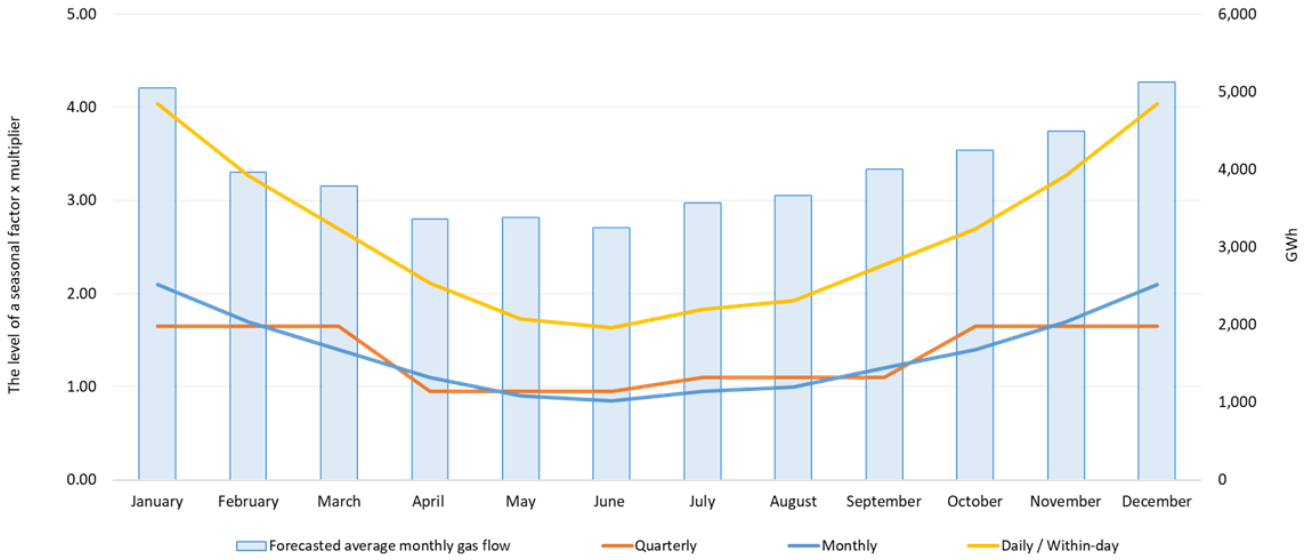
The aim of the proposed seasonal factors is to encourage the reservation and usage of transmission capacities in periods of lower gas consumption. At the same time, they should result in reserve prices which proportionately reflect costs of operating the transmission system and should help lower the risk of physical and contractual congestion.

For quarterly standard capacity products, the seasonal factors are determined between the lowest and the highest level of corresponding seasonal factors applicable to three relevant months.

Table 3. Product of respective multiplier and monthly level of seasonal factor for non-yearly standard capacity products

Product of multiplier and seasonal factors	***Quarterly***	***Monthly***	***Daily/Within-day***
January	1.6500	2.1000	4.0385
February	1.6500	1.7000	3.2693
March	1.6500	1.4000	2.6923
April	0.9500	1.1000	2.1155
May	0.9500	0.9000	1.7308
June	0.9500	0.8500	1.6345
July	1.1000	0.9500	1.8270
August	1.1000	1.0000	1.9230
September	1.1000	1.2000	2.3078
October	1.6500	1.4000	2.6923
November	1.6500	1.7000	3.2693
December	1.6500	2.1000	4.0385
Average	**1.3375**	**1.3667**	**2.6282**

Figure 1. Overview of the product of multipliers and seasonal factors for non-yearly standard capacity product, by month



3. CALCULATION OF RESERVE PRICES FOR NON-YEARLY STANDARD CAPACITY PRODUCTS FOR FIRM CAPACITY

When applying seasonal factors, reserve prices for quarterly standard capacity products, for monthly standard capacity products and for daily standard capacity products are calculated in accordance with the following formula:

$$P_{st} = M \times SF \times (T/365) \times D$$

Where:

P_{st} is the reserve price for the respective standard capacity product,
M is the level of the multiplier corresponding to the respective standard capacity product,
SF is the seasonal factor,
T is the reference price,
D is the duration of the respective standard capacity product expressed in gas days.

The reserve prices for within-day standard capacity products are calculated according to the following formula:

$$P_{ust} = M \times SF \times (T/365)$$

Where:

P_{ust} is the reserve price for the within-day standard capacity product,
M is the level of the corresponding multiplier,
SF is the seasonal factor,
T is the reference price.

For leap years, the formula shall be adjusted so that the figure 365 is substituted with the figure 366.

4. PROPOSED DISCOUNTS AT ENTRY AND EXIT POINTS OF THE GAS STORAGE SYSTEM

Croatia has one underground natural gas storage facility, operated by the energy undertaking Podzemno skladište plina Ltd.

The storage is technologically connected only to the main gas pipeline of the Republic of Croatia, its technical storage capacity is 4.7725 TWh of natural gas, and its primary purpose is to ensure the security of gas supply in the heating season, as well as the seasonal balancing of the gas system.

The gas storage represents a significant interest for the Republic of Croatia, with the primary goal of increasing security and reliability of gas supply through its efficient operation and active usage of contracted storage capacities. In addition to that, the usage of the underground gas storage provides the energy undertakings with the ability to efficiently manage their portfolios of energy products, which is reflected upon the price of the gas supply for users.

For the purpose of maintaining the flexibility of the system and security of supply for the following, the fourth regulation period 2026-2030, it is proposed to maintain the discounts for transmission tariffs on connecting points with the underground gas storage as follows:

- 90% discount for entry into the transmission system from the gas storage system,
- 100% for exit from the transmission system and entry of gas into the gas storage system, to avoid double charging for gas transmission to and from the gas storage system.

5. ADJUSTMENT OF TRANSMISSION TARIFFS AT OTHER POINTS OF THE SYSTEM IN ADDITION TO THE ADJUSTMENT OF TRANSMISSION TARIFFS AT STORAGE ENTRY AND EXIT POINTS

Regulation 2017/460, except for the section referring to the adjustment of transmission tariffs on connection points with the gas storage, provides the possibility of discount application to relevant transmission tariffs based on the capacity at the entry points from the LNG terminal and on the system's entry and exit points built to end the isolation of Member States with regards to their gas transmission systems.

For the current, third regulatory period 2021-2025, and in accordance with the Decision on Discounts, Multipliers and Seasonal Factors from May 23, 2019, based on the Commission Regulation (EU) 2017/460 from March 16, 2017 establishing a network code on harmonised transmission tariff structures for gas, a discount of 15 % is applied to gas transmission for contracted firm annual capacity for entry point from the LNG terminal.

Considering that since the start of operation of the LNG terminal, the contracted capacity of LNG terminal has been high and that the existing LNG terminal capacity has been fully booked until the gas year 2036/2037, and that the LNG terminal is currently being upgraded to enable an increase in input capacities into the transmission system, thereby increasing the security of gas supply to Croatia and neighbouring countries, HERA does not find it necessary to continue applying this discount.

6. PROPOSED AMOUNTS OF DISCOUNT FOR RESERVE PRICES CALCULATION FOR STANDARD CAPACITY PRODUCTS FOR INTERRUPTIBLE CAPACITY

According to Regulation 2017/460, Article 16, paragraph 4, the national regulatory authority may decide to apply an *ex-post* discount (instead of the recommended *ex-ante* discount) if there was no termination of capacity due to physical congestion in the previous gas year. In case of usage of *ex post* discounts, network users are compensated after the actual interruptions incurred.

Since, in the gas transmission system of the Republic of Croatia in 2023 and 2024 there was no capacity disruption due to physical congestion in the previous gas year, HERA proposes to maintain the application of ex post discounts for the calculation of the non-yearly standard capacity products for interruptible capacity, where ex post fees paid for each day when interruption occurred shall be equal to the three times the reserve price for daily standard capacity product for firm capacity.

7. PROPOSED AMOUNTS OF DISCOUNT FOR TRANSMISSION TARIFFS FOR GAS FROM RENEWABLE SOURCES AND FOR LOW-CARBON GAS

According to Article 18 of the Regulation (EU) 2024/1789 of the European Parliament and of the Council of 13 June 2024 on the internal markets for renewable gas, natural gas and hydrogen, amending Regulations (EU) No 1227/2011, (EU) 2017/1938, (EU) 2019/942 and (EU) 2022/869 and Decision (EU) 2017/684 and repealing Regulation (EC) No 715/2009 (Text with EEA relevance) when setting tariffs, discounts are applied on gas tariffs from renewable sources and for low-carbon gas.

According to Article 18, paragraph 5 of the Regulation (EU) 2024/1789, regulatory authorities may decide not to apply discounts or to lay down discounts lower than those laid down in paragraphs 1 and 4 of the Article 18, provided that such a derogation is in line with the general tariff principles and in particular the principle of cost-reflectiveness, where one of the following criteria is met:

(a) the derogation is necessary for the efficient operation of the transmission system, to ensure a stable financial framework for existing investments or to avoid undue cross-subsidies, distortion to cross-border trade or an ineffective inter-transmission-system-operator compensation mechanism,

(b) the application of discounts laid down in paragraphs 1 and 4 is not necessarily due to the degree of advancement of the roll-out of renewable gas and low-carbon gas in the Member State concerned or the existence of alternative support mechanisms for scaling-up the use of renewable gas or low-carbon gas.

On those grounds, HERA proposes the application of Article 18, paragraph 5 (b) of the Regulation (EU) 2024/1789.

8. CONCLUSION

This Consultation, through proposed level of discounts, multipliers and seasonal factors, provides relevant signals for optimal reservation of available transmission capacities and efficient further development of the transmission system, in the way that it encourages reservation and usage of transmission capacities out of heating season and at the same time considering the stability of operator's incomes and business operations.