In case of discrepancies between the information published in the Italian version and the information published in the English version of this document, the Italian version shall prevail.

DOCUMENTO PER LA CONSULTAZIONE 18 OTTOBRE 2022, 502/2022/R/GAS

TARIFF REGULATION CRITERIA FOR THE NATURAL GAS TRANSMISSION AND METERING SERVICE FOR THE SIXTH REGULATORY PERIOD (6PRT)

FINAL GUIDELINES

Executive summary

Background

This public consultation is conducted by the Italian national regulatory authority (Autorità di Regolazione per Energia, Reti e Ambiente, hereinafter: ARERA) and concerns the final proposals on regulatory criteria for transmission and metering service tariffs for the new (6th) gas transmission regulatory period, from 2024 to 2027 (hereinafter: 6PRT), in compliance with Regulation (EU) 2017/460, of 16 March 2017, establishing a network code on harmonised transmission tariff structures for gas (hereinafter: TAR NC).

The current consultation has been preceded by the following consultations: 213/2022/R/gas of 17 May 2022 (general lines of intervention and criteria); 336/2022/R/gas of 19 July 2022 (incentives for efficient management and planning of transmission infrastructure).

The current consultation contains proposals related, in particular, to the following topics:

- criteria for the determination of revenues used for the determination of tariffs for year 2024 for transmission and metering services;
- cost allocation criteria for the transmission service, including commodity charges, reference price methodology to set capacity-based transmission tariffs, multipliers and seasonal factors;
- cost allocation criteria for the metering service.

The full English version of the consultation will be made available by ARERA following the publication of the document. The simplified tariff model to allow the reproduction and calculation of reference prices is made available by Snam Rete Gas on a dedicated section of its website[1].

Allowed revenue

The consultation presents the main criteria for the determination of revenues used only for the determination of tariffs for year 2024, largely based on criteria currently in place.

ARERA is currently finalising a Totex methodology ("ROSS, Regolazione per Obiettivi di Spesa e Servizio") for determining the allowed revenue of operators from 2024 onwards. Any mismatch between the allowed revenue and the revenue used for the determination of tariffs will be dealt within the ROSS methodology. Further details on the practical implementation of the ROSS methodology and the link between allowed revenues and revenues used for the determination of tariffs will be part of a specific consultation document.

Allowances to cover for network losses, fuel gas, unaccounted-for gas, and ETS costs are outside the scope of the ROSS methodology, and details on how these allowances are calculated are included in the present consultation. On network losses, in particular, ARERA proposes a revision of standard emission factors, leading to a reduction of allowed costs for network operators and incentivising further emission reduction activities.

[1] https://www.snam.it/it/trasporto/codice-rete-tariffe/Tariffe_trasporto/dco_tariff/sesto_periodo_regolazione.html

In order to manage under- or over-recovery of transmission services revenue, a reconciliation mechanism is established to fully cover the risk of differences between forecasted and actually booked capacity. Furthermore, a partial cost recovery mechanism is applied to operating costs.

Cost allocation criteria

Transmission and non-transmission services

Concerning the distinction between transmission and non-transmission services, ARERA confirms that both the services rendered by TSOs on national and regional networks must be classified as transmission services, according to Article 4(1) of the TAR NC.

Instead, the costs for providing the metering service are not related to the cost driver of distance, hence Article 4(1) of TAR NC conditions are not met; ARERA confirms that such service should be classified as a non-transmission service, and the corresponding costs be recovered by non-transmission tariffs.

Transmission tariffs

According to Article 6 of the TAR NC, ARERA proposes the application of same reference price methodology (RPM) to all system entry and exit points. The proposed RPM to determine capacity-based transmission tariffs is the Capacity Weighted Distance (CWD), as described in Article 8 of TAR NC, with a entry-exit split of 25/75 (changed from the 28/72 split of previous period) and other minor adjustments in order to better fit the characteristics of the Italian system. Reference prices in the CWD are computed as the average distance for each entry or cluster of entry point and for each exit or cluster of exit points, weighted by the forecasted contracted capacity.

Concerning the possible adjustments foreseen by Article 9 of the TAR NC, ARERA proposes (i) the minimum level of discount foreseen by Article 9(1) of the TAR NC (50%) for capacity-based transmission tariffs at entry points from and exit points to storage facilities; (ii) no discount at entry points from LNG facilities, in order to avoid competitive distortions among different gas supply sources.

Concerning domestic exit points, in order to avoid outliers in the level of tariff resulting from the CWD, which would result in an undue discrimination between network users on the national territory, ARERA proposes the equalisation of the reference prices for 2 clusters (points below/above 15 km from the national network) for each of the 6 domestic exit areas, in line with the option foreseen by article 6(4)(b) of the TAR NC.

ARERA, following Article 4(3) of the TAR NC, which envisages the possibility to recover a part of the transmission services revenue by commodity-based tariffs, proposes: (i) a flow-based charge, levied for the purpose of covering operating costs (including fuel costs, unaccounted-for gas, network losses), applied to all exit points; (ii) a complementary revenue recovery charge, levied for the purpose of managing revenue under- and over-recovery, applied to exit points other than interconnection points.

ARERA, following Article 28 of the TAR NC concerning discounts, multipliers and seasonal factors, proposes to confirm the current regulatory framework for discounts applied to interruptible capacity (15% discount) and the level of multipliers for cross-border points (1.2 for quarterly products, 1.3 for monthly products and 1.5 for daily products at both entry and exit points). Multipliers for points serving industrial customers (1.3 for monthly, 1.7 for daily) and points connecting transmission and distribution level (indicatively 4 for daily) are also introduced. No seasonal factors are proposed.

Metering tariffs

In line with Article 4(4) of the TAR NC, it is proposed that revenues for the metering services are recovered by non-transmission tariffs according to cost-reflectivity, non-discrimination, objectivity and transparency principles, and charged in order to minimise cross-subsidisation between network users. Two types of charges are proposed: a capacity-based charge (CM^T) applied to all delivery points in the system, to cover the costs of meter and meter reading on the transmission network; a capacity-based charge (CM^{CF}) applied only to delivery points where the metering facility is owned by the TSO (instead of the final customer), to cover for the cost of the metering activity on such delivery points; the CM^{CF} charge is differentiated according to the size of the meter at the specific delivery point (below / above 4,000 Sm^3/h of technical flow capacity).

Tariffs are set at national level, with a compensation mechanism between TSOs.