

Energy Regulatory Office Price Decision No. 1/2018

of 22 May 2018

on regulated prices related to gas supply

In case of discrepancy between the original Czech version and this English translation of the Price Decision, the Czech version shall prevail.

Under Section 2c of Act No. 265/1991 on the Competences of the Czech Republic's Authorities in the Area of Prices, as amended,

under Section 17 (6) (d) and Section 17 (11) and (12) of Act No. 458/2000 on the Conditions for Business and State Administration in the Energy Industries and Amending Certain Laws ("the Energy Act"), as amended,

under public notice No. 195/2015 on methods of price regulation and procedures for price control in the gas industry,

and under public notice No. 196/2015 on methods of price regulation and procedures for regulating the prices for the market operator's activities in the electricity and gas industries,

the Energy Regulatory Office hereby issues its Price Decision on regulated prices related to gas supply.

CHAPTER ONE

Charges for gas transmission services

The following fixed prices and conditions shall apply to the gas transmission service provided by the transmission system operator.

1. Charges for the gas transmission service for the border points of the gas transmission system

1.1. The fixed annual charge for booked firm transmission capacity, C_r in CZK/MWh/d, and the fixed charge for transported gas, C_{rkom} in CZK/MWh, for

1.1.1. the entry border points of the transmission system

Entry point name	Fixed annual charge for booked firm transmission capacity C_r in CZK/MWh/d	Fixed charge for transported gas, C_{rkom} in CZK/MWh
Lanžhot border point	765.01	0
Lanžhot - Mokřý Háj border point	765.01	0
Waidhaus border point	765.01	0
Hora Sváté Kateřiny – Olbernhau border point	765.01	0
Hora Sváté Kateřiny border point	765.01	0
Brandov – OPAL border point	765.01	0
Brandov – EUGAL border point *)	765.01	0
Český Těšín border point	765.01	0
Brandov virtual border point **)	765.01	0
Waidhaus virtual border point **)	765.01	0
Lanžhot virtual border point **)	765.01	0

*) The Brandov – EUGAL border point is the planned new border point in the transmission system, which is expected to be put into operation in 2019. The prices set out for this point are only applicable if the border point actually materialises.

**) Virtual border point under section 19 (9) of COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No. 984/2013. From 1 November 2018 new transmission capacity can only be offered at established functional virtual border points.

1.1.2. the exit border points of the transmission system

Exit point name	Fixed annual charge for booked firm transmission capacity C_r in CZK/MWh/d	Fixed charge for transported gas, C_{rkom} in CZK/MWh
Lanžhot border point	2,991.43	$0.003 \times C_{NCG}$
Lanžhot - Mokřý Háj border point	2,991.43	$0.003 \times C_{NCG}$
Waidhaus border point	2,991.43	$0.003 \times C_{NCG}$
Brandov – STEGAL border point	2,991.43	$0.003 \times C_{NCG}$
Hora Svaté Kateřiny border point	2,991.43	$0.003 \times C_{NCG}$
Brandov – OPAL border point	2,991.43	$0.003 \times C_{NCG}$
Český Těšín border point	2,991.43	$0.003 \times C_{NCG}$
TRU border point*)	3,818.06	$0.003 \times C_{NCG}$
Brandov virtual border point **)	2,991.43	$0.003 \times C_{NCG}$
Waidhaus virtual border point **)	2,991.43	$0.003 \times C_{NCG}$
Lanžhot virtual border point **)	2,991.43	$0.003 \times C_{NCG}$

*) The prices shown for the TRU border point only apply to the Trading Region Upgrade service in the pilot mode. The provision of this service is subject to the applicable code of the transmission system operator.

***) Virtual border point under section 19 (9) of COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No. 984/2013. From 1 November 2018 new transmission capacity can only be offered at established functional virtual border points.

where

C_{NCG} is the planned purchase price of the energy in gas for the following gas day, which is determined as the value of the “End-of-Day Price” of the Day 1 MW product at European Energy Exchange AG for the following gas day **D+1** for the NCG zone on the current gas day **D**; should it not be available, the value of the resulting price on the nearest immediately preceding day **D-n**, on which the “End-of-Day Price” for the following gas day **D+1** was published, shall be used. The prices are publicly available on the website of European Energy Exchange AG.

The daily price in EUR/MWh shall be converted to CZK/MWh at the daily EUR/CZK exchange rate declared by the CNB on the current gas day **D**; should it not be available, the daily rate on the nearest immediately preceding day **D-n**, on which the daily rate was published, shall be used.

If the prices are not available, the last known reconciled gas price from the day ahead market on the organised spot gas market organised by the gas market operator shall be used.

1.2. Fixed charge for booked standard firm transmission capacity

1.2.1. The fixed short-term [= ‘variable’ under Section 18 (5) of public notice No. 349/2015, Gas Market Rules, as amended] charge for booked standard firm transmission capacity C_S applies at the time when the transmission capacity can be used. If standard firm transmission capacity at the relevant border point is allocated to a gas market participant in an auction for a period shorter than 10 consecutive years, the reserve price for standard firm capacity for these consecutive years is the fixed short-term charge for booked standard firm transmission capacity. For yearly standard firm capacity, quarterly standard firm capacity and monthly standard firm capacity, the fixed short-term charge for booked standard firm transmission capacity C_S in CZK/MWh/d is calculated as

$$C_S = C_r \times F_c + AP ,$$

where

F_c is the factor of the duration of booked standard firm transmission capacity, calculated using the following formula for yearly standard firm capacity:

$$F_c = 1 ,$$

and for quarterly standard firm capacity it is calculated using the formula

$$F_c = \frac{3}{12} \times 1.1 ,$$

and for monthly standard firm capacity it is calculated using the formula

$$F_c = \frac{1}{12} \times 1.25 ,$$

AP is, for auctions of standard bundled transmission capacity, the proportion of the auction premium in CZK/MWh/d attributable to the transmission system operator, achieved in auctions on an auction booking platform; for auctions of standard unbundled transmission capacity, it is the auction premium determined in an auction on an auction booking platform.

1.2.2. The fixed long-term [= ‘fixed’ under Section 18 (5) of public notice No. 349/2015, Gas Market Rules, as amended] charge for booked standard firm transmission capacity C_F is the charge set in the price decision at the time of the auction. If standard firm transmission capacity at the relevant border point is allocated to a gas market participant in an auction for a period of at least 10 consecutive years, the reserve price for yearly standard firm capacity for these consecutive years is the fixed long-term price for booked standard firm transmission capacity. Fixed long-term charge for booked standard firm capacity C_{Fi} in CZK/MWh/d is calculated, for yearly standard firm capacity for calendar year i , using the formula

$$C_{Fi} = \left(C_{r0} \times \prod_{i=j}^i \frac{I_{i-1}}{100} \right) + AP ,$$

where

C_{ro} is the fixed yearly charge for booked standard firm transmission capacity applicable at the time of the auction;

i is the calendar year for which the long-term charge for booked standard firm transmission capacity is being determined;

j is the calendar year in which the agreement on the provision of the gas transmission service was concluded;

I_{i-1} is the value of the price escalation factor of year $i-1$, in percent, calculated as

$$I_{i-1} = 0.7 \times IPS_{i-1} + 0.3 \times (CPI_{i-1} + 1) ,$$

where

IPS_{i-1} [%] is the index of business service prices calculated as a weighted average of the following price indices

62 – Computer programming, consultancy,

63 – Information services,

68 – Real estate services,

69 – Legal and accounting services,

71 – Architectural and engineering services,

73 – Advertising and market research services,

74 – Other professional, scientific and technical activities,

77 – Rental and operating lease services,

78 – Employment services,

80 – Security and investigation services,

81 – Services related to buildings and landscape,

82 – Office administration and other support services,

as reported by the Czech Statistical Office in the table “Price indices of market services” (code 011046) for April of year i on the basis of the ratio of rolling averages of basic indices, where the weights are annual sales for services provided in 2011,

CPI_{i-1} [%] is the consumer price index calculated on the basis of the ratio of rolling averages of basic indices of consumer prices over the last 12 months and the preceding 12 months reported by the Czech Statistical Office in the table “Consumer price index” (code 012018) for April of year i .

For calendar year $i = j$, $I_{i-1} = 100$.

- 1.2.3. In the case of applying fixed long-term and fixed short-term charges for booked yearly standard firm transmission capacity, the fixed charge for transmitted gas C_{rkom} is calculated on the basis of the actual gas quantity transported in the transmission system and the sum of the actual quantity of gas and electricity for driving compression stations operated on the principle of efficient and economical operation of the transmission system. In the event of unusual changes in the use of the

transmission system, the planned value can be used for calculating the fixed charge for transported gas C_{rkom} subject to proper substantiation. This differently calculated value of C_{rkom} must be corrected for the nearest possible subsequent year on the basis of the actually achieved values.

- 1.3. The fixed reserve price for yearly standard firm capacity, quarterly standard firm capacity and monthly standard firm capacity shall be determined in accordance with point 1.2.1., provided that for the purpose of determining the firm reserve price, **AP** equals zero.
- 1.4. The large price step, **VCK_a** between bidding rounds of auctions of standard transmission capacity for yearly standard transmission capacity, quarterly standard transmission capacity and monthly standard transmission capacity, in CZK/MWh/d, shall be calculated as

$$VCK_a = 0.05 \times C_r \times F_c ,$$

where

C_r is the charge for booked firm transmission capacity in CZK/MWh/d under point 1.1. hereof;

F_c is the factor of the duration of booked standard firm transmission capacity under 1.2.1. hereof.

The resulting value of **VCK_a** shall be rounded to four decimal places.

- 1.5. The small price step, **MCK_a** between bidding rounds of an auction of standard transmission capacity for yearly standard transmission capacity, quarterly standard transmission capacity and monthly standard transmission capacity, in CZK/MWh/d, shall be calculated as

$$MCK_a = 0.2 \times VCK_a ,$$

where

VCK_a is the value of the large price step calculated under point 1.4 hereof.

The resulting value of **MCK_a** shall be rounded to four decimal places.

- 1.6. For daily standard firm capacity, **C_d** in CZK/MWh/d, the fixed charge for booked standard firm transmission capacity shall be determined on the basis of the result of the auction for daily standard firm capacity on an auction booking platform, provided that the firm reserve price for booked standard firm transmission capacity, **C_{vyd}** in CZK/MWh/d, shall be calculated for daily standard firm capacity using the formula

$$C_{vyd} = \frac{1}{365} \times 1.5 \times C_r .$$

- 1.7. For within-day standard firm capacity, C_{vd} in CZK/MWh/d, the fixed charge for booked standard firm transmission capacity shall be determined on the basis of the result of the auction for within-day standard firm capacity on an auction booking platform, provided that the firm reserve price for booked standard firm transmission capacity, C_{vyvd} in CZK/MWh/d, shall be calculated for within-day standard firm capacity using the formula

$$C_{vyvd} = \frac{1}{365} \times 1.7 \times C_r ,$$

while the part of the gas day for which within-day standard firm transmission capacity has been booked is regarded as a day.

- 1.8. For yearly standard interruptible capacity, quarterly standard interruptible capacity and monthly standard interruptible capacity, C_{sp} in CZK/MWh/d, the fixed charge for booked standard interruptible transmission capacity shall be determined as C_s in CZK/MWh/d under point 1.2.1.
- 1.9. For daily standard interruptible capacity, C_{dp} in CZK/MWh/d, the fixed charge for booked standard interruptible transmission capacity shall be determined as C_{vyd} in CZK/MWh/d under point 1.6.
- 1.10. For within-day standard interruptible capacity, C_{vdp} in CZK/MWh/d, the fixed charge for booked standard interruptible transmission capacity, shall be determined as C_{vyvd} in CZK/MWh/d under point 1.7.
- 1.11. The compensation for a reduction in transmission nominations or renominations due to an interruption in interruptible capacity, C_{sl} in CZK/MWh/d, if the transmission system operator reduced transmission nominations or renominations on gas day **D**, shall be calculated as

$$C_{sl} = k_{zkr} \times \frac{1}{0.6} \times C_{pp} ,$$

where

k_{zkr} is a coefficient calculated as

$$k_{zkr} = \frac{N_s - N_p}{N_s} ,$$

where

N_s is the value of the gas market participant's last received and registered transmission nomination or renomination that the transmission system operator has reduced, in MWh rounded to 3 decimal places,

N_p is the value of the gas market participant's transmission nomination or renomination adjusted by the transmission system operator, in MWh rounded to 3 decimal places,

C_{pp} is the recalculated fixed charge for booked interruptible transmission capacity, calculated as follows:

- a. for booked interruptible yearly, quarterly and monthly transmission capacity:

$$C_{pp} = C_{sp} ,$$

b. for booked interruptible daily transmission capacity:

$$C_{pp} = C_{dp} ,$$

c. for booked interruptible within-day transmission capacity:

$$C_{pp} = C_{vdp} .$$

If the transmission system operator has reduced transmission nominations or renominations repeatedly, the highest achieved value of k_{zkr} is used.

If the transmission system operator has reduced nominations on gas day **D-1** but allowed the gas market participant to renominate on day **D-1** the booked interruptible transmission capacity in the full amount, then

$$k_{zkr} = 0 ,$$

if

$$k_{zkr} > 0.6 ,$$

then

$$C_{sl} = C_{pp} .$$

The transmission system operator shall pay the compensation for reductions in transmission nominations and renominations to the gas market participant that has booked interruptible transmission capacity.

- 1.12. The compensation, KO_{SZ} in CZK, for a limitation in the cleared entity's or foreign participant's renominations on a gas day on which renominations were limited at a border point of the transmission system is **CZK 0** for every border point at which renomination was limited if the cleared entity or foreign participant nominated 90% or more of the booked firm transmission capacity at the respective border point, which it had booked by 9 a.m. on the calendar day preceding the gas day on which transmission renomination was limited. If the cleared entity or foreign participant nominated less than 90% of the booked firm transmission capacity at the respective point, which it had booked by 9 a.m. on the calendar day preceding the gas day on which transmission renomination was limited, compensation KO_{SZ} is calculated as

$$KO_{SZ} = VA \times 0.5 \times \frac{(0.9 \times RKSZ - NPSZ)}{(RKn - NPn)} ,$$

where

VA is the transmission system operator's revenue from daily and within-day transmission capacity booking at the respective border point in CZK for the respective gas day on which renominations were limited,

RKSZ is the cleared entity's or foreign participant's booked firm transmission capacity at the respective border point in MWh/d, which it had booked by 9 a.m. on the calendar day preceding the gas day on which transmission renomination was limited,

RKn is all cleared entities' and foreign participants' booked firm transmission capacity at the respective border point in MWh/d, which they had booked by

9 a.m. on the calendar day preceding the gas day on which transmission renomination was limited,

NPSZ is the cleared entity's or foreign participant's nomination of firm transmission at the respective border point in MWh,

NPn is all cleared entities' and foreign participants' nomination of firm transmission at the respective border point in MWh.

The compensation for **KO_{SZ}** shall be paid by the transmission system operator to the cleared entity or foreign participant.

CHAPTER TWO

Effect

This price decision shall come into effect on 1 January 2019.

Energy Regulatory Office Board Chairman
Vladimír Outrata *m. p.*