

**Energy Regulatory Office Price Decision No. 3/2021
of 27 May 2021
on regulated prices related to gas supply**

Under Section 2c of Act No 265/1991 on the Competences of the Czech Republic's Authorities in the Area of Prices, as amended, Section 17(6)(d) 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, the Energy Regulatory Office ['ERO'] hereby issues its Price Decision on regulated prices related to gas supply.

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PART ONE: General provisions

(1) Conditions for applying the prices and the calculation of the payments

(1.1) The prices set out in this Price Decision mean ‘fixed prices’ under a separate piece of legislation¹, unless specified otherwise in the following.

(1.2) The prices set out in this Price Decision do not include the value added tax under a separate piece of legislation².

(1.3) Where gas is used in cases when the obligation to pay a tax/duty arises under Act No 353/2003 on Excise Duties, as amended, or Act No 261/2007, on the Stabilisation of Public Budgets, as amended, the relevant gas price may be increased by the relevant tax/duty.

(1.4) The conversion of the volumetric quantity of supplied gas to supplied energy contained in the gas is subject to a separate regulation³.

(1.5) Upon transition from winter time to summer time, the value of agreed capacity shall be $\frac{23}{24}$ of the value of the capacity agreed in the contract. Upon transition from summer time to winter time, the value of agreed capacity shall be $\frac{25}{24}$ of the value of the capacity agreed in the contract.

(1.6) In calculating payments and prices, only the resulting payment and the resulting price shall be rounded to two valid decimal places.

¹ Section 5(3) of Act No 526/1990 on prices, as amended

² Act No 235/2004 on Value Added Tax, as amended

³ Schedule 1 to public notice no. 108/2011 on gas metering and on the method of calculating damages for unauthorised gas off-take, unauthorised gas supply, unauthorised gas storage, unauthorised gas transmission or unauthorised gas distribution, as amended

PART TWO: Prices for gas transmission services

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

(2) Prices for the gas transmission service for the interconnection points of the gas transmission system

(2.1) The annual price for booked firm transmission capacity, C_r in CZK/MWh/d, for the interconnection points and virtual interconnection points of the transmission system

Name of the interconnection point	Annual price for booked firm transmission capacity C_r [CZK/MWh/d]	
	for entry interconnection point	for exit interconnection point
Brandov VIP ⁴	846.84	3,618.06
Český Těšín	225.23	5,122.41
Lanžhot	507.95	3,369.25
Waidhaus VIP ⁴	903.10	1,853.60

(2.2) Price for incremental transmission capacity

(2.2.1) The reference price and the mandatory minimum premium for the Český Těšín entry interconnection point for 2021 were approved by the *Decision of 5 May 2021 on project proposal for an incremental capacity project on the national border between Poland and the Czech Republic, within the meaning of Article 28(1) 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.*

Name of the interconnection point	Annual reference price for booked firm transmission capacity and mandatory minimum premium [CZK/MWh/d]	
	for entry interconnection point	for exit interconnection point
Český Těšín reference price	219.46	x
Český Těšín mandatory minimum premium	14,303.81	x

⁴ Virtual interconnection point under the requirements of Article 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. As of 1 November 2018, new transmission capacity can only be offered at established functional virtual interconnection points.

Under the *Decision of 5 May 2021 on project proposal for an incremental capacity project on the national border between Poland and the Czech Republic* the reference price and the mandatory minimum premium are subject to inflation under the *Price Control Principles for the 2021-2025 Regulatory Period*⁵.

(2.2.2) The price for booked firm transmission capacity, C_r in CZK/MWh/d, for the Český Těšín entry interconnection point, which is comprised of the reference price and the mandatory minimum premium, adjusted by inflation for 2022 under *Price Control Principles for the 2021-2025 Regulatory Period*⁵.

Name of the interconnection point	Annual price for booked firm transmission capacity C_r [CZK/MWh/d]	
	for entry interconnection point	for exit interconnection point
Český Těšín reference price	225.23	x
Český Těšín mandatory minimum premium	14,679.69	x

(2.2.3) The price of incremental transmission capacity, C_{PKFi} in CZK/MWh/d, has been determined as a fixed payable price and is calculated as follows for year i :

$$C_{PKFi} = \left(C_{r0} \times \prod_{t=j}^i \frac{I_{t-1}}{100} \right) + AP_{PK} + RP_{PK} + ADJ_{PK},$$

where

C_{r0} is the price for booked firm transmission capacity, which is comprised of the reference price and the mandatory minimum premium specified in point (2.2.2),

AP_{PK} is the proportion of a possible auction premium in CZK/MWh/d from an incremental capacity auction, attributable to the transmission system operator,

RP_{PK} is the risk premium set at CZK 0/MWh/d,

ADJ_{PK} is the proportional adjustment of the price, once the incremental capacity is commissioned, to the difference between the projected investment costs and the actual investment costs of the incremental capacity project under Article 33(2) of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas,

i is the calendar year for which the fixed payable price for booked incremental transmission capacity is being determined,

j is the calendar year in which the agreement on the provision of the gas transmission service was signed,

t is the calendar year in the interval $\langle j, i \rangle$,

⁵ *Price Control Principles for the 2021-2025 Regulatory Period in the Electricity and Gas Industries and for the Market Operator's Activities in the Electricity and Gas Industries, and for Mandatory Buyers.*

I_{t-1} [%] is the value of the price escalation factor, which equals 100 for years $j-1$ and j and calculated as follows for year $j+1$ and subsequent years:

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

where

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

- 62 – Computer programming, consultancy, and related services,
- 63 – Information services,
- 68 – Real estate services,
- 69 – Legal and accounting services,
- 71 – Architectural and engineering services; technical tests and analyses,
- 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 business support services

as reported by the Czech Statistical Office in the Public Database in the table “Price index of market services – ratio of rolling averages” (code CEN06B2) for April of year $t-1$ on the basis of the ratio of rolling averages of basic indices, where the weights are annual sales for services, calculated using the Czech Statistical Office’s methodology,

CPI_{t-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, as reported by the Czech Statistical Office in the table “Consumer price index” (code 012018) for April of year $t-1$.

(2.3) The price for booked standard firm transmission capacity

(2.3.1) The floating payable price 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 interconnection 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 transmission capacity for these consecutive years is a floating payable price for booked standard firm transmission capacity. For yearly standard firm capacity, quarterly standard firm transmission capacity and monthly standard firm transmission capacity, the floating payable price 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 transmission capacity:

$$F_c = 1,$$

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

$$F_c = \frac{D}{PD_r} \times 1.1,$$

where

D is the number of gas days of the duration of the capacity product,

PD_r is the number of days of the relevant calendar year,

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

$$F_c = \frac{D}{PD_r} \times 1.25,$$

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.

(2.3.2) The fixed payable price for booked standard firm transmission capacity can be offered in compliance with Article 25 of Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas. The fixed payable price for booked standard firm transmission capacity C_F is the price set in the price decision at the time of the auction.

Where yearly standard firm transmission capacity is allocated to it in the auction process, the cleared entity [= the balance responsible party] or the foreign participant can apply to the transmission system operator in writing within 5 working days immediately following the end of the auction in which the capacity was allocated to the gas market participant, requesting that the price determined in the auction be a fixed payable price for booked standard firm transmission capacity.

The fixed payable price can be applied under the following conditions:

- a) the capacity has been allocated at exit interconnection and exit virtual interconnection points, or
- b) the capacity has been allocated at entry interconnection and entry virtual interconnection points only up to 70% of the technical capacity of the relevant entry interconnection and entry virtual interconnection point in the relevant gas year, or
- c) the capacity has been allocated at entry interconnection and entry virtual interconnection points in compliance with Article 25(1)(b)(ii) of Commission

Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas,

while

- a) the yearly standard firm transmission capacity at the relevant interconnection point, allocated in an auction, has been allocated for a period of at least 10 consecutive years while the condition is met for the booked firm transmission capacity for each gas year of that period that the amount of auction-allocated booked firm transmission capacity is not higher or lower by more than 50% than the average amount of this gas market participant's booked standard firm transmission capacity for this entire period, or
- b) the auction-allocated yearly standard firm transmission capacity is, in conjunction with the yearly standard firm transmission capacities allocated to the gas market participant in auctions held in preceding years, in compliance with the requirement of booking for at least 10 consecutive years while for each gas year the condition is met for newly booked firm daily transmission capacity that the amount of the auction-allocated booked firm daily transmission capacity is not higher by more than 50% than the average amount of this gas market participant's daily booked standard firm transmission capacity for a period of 10 years immediately preceding the last year for which yearly firm transmission capacity was booked.

The fixed payable price for booked standard firm transmission capacity, C_{Fi} in CZK/MWh/d, is calculated, for yearly standard firm transmission capacity for calendar year i , using the formula

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

where

C_{r0} is the price for booked firm transmission capacity set out in point (2.1);

RP is the risk premium set at CZK 0/MWh/d;

I is the calendar year for which the fixed payable price 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;

t is the calendar year in the interval $\langle j, i \rangle$,

I_{t-1} [%] is the value of the price escalation factor, which equals 100 for years $j-1$ and j and calculated as follows for year $j+1$ and subsequent years:

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

where

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

62 – Computer programming, consultancy, and related services,

63 – Information services,
 68 – Real estate services,
 69 – Legal and accounting services,
 71 – Architectural and engineering services; technical tests and analyses,
 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 business support services

as reported by the Czech Statistical Office in the Public Database in the table “Price index of market services – ratio of rolling averages” (code CEN06B2) for April of year **t-1** on the basis of the ratio of rolling averages of basic indices, where the weights are annual sales for services, calculated using the Czech Statistical Office’s methodology,

CPI_{t-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, as reported by the Czech Statistical Office in the table “Consumer price index” (code 012018) for April of year **t-1**.

(2.4) The reserve price for yearly standard firm transmission capacity, quarterly standard firm transmission capacity and monthly standard firm transmission capacity shall be determined in accordance with point (2.3.1), provided that for the purpose of determining the reserve price, **AP** equals 0.

(2.5) 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, is calculated as

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

where

C_r is the price for booked firm transmission capacity in CZK/MWh/d under point (2.1);

F_c is the factor of the duration of booked standard firm transmission capacity under point (2.3.1).

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

(2.6) 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, is calculated as

$$MCK_a = 0.2 \times VCK_a,$$

where

VCK_a is the value of the large price step calculated under point (2.5).

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

(2.7) For daily standard firm transmission capacity, C_d in CZK/MWh/d, the price for booked standard firm transmission capacity shall be determined on the basis of the result of the auction of daily standard firm transmission capacity on an auction booking platform, provided that the reserve price for booked standard firm transmission capacity, C_{vyd} in CZK/MWh/d, is calculated for daily standard firm transmission capacity using the formula

$$C_{vyd} = \frac{1}{PD_r} \times 1.5 \times C_r,$$

where

PD_r is the number of days of the relevant calendar year.

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

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

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

(2.9) For yearly standard interruptible transmission capacity, quarterly standard interruptible transmission capacity and monthly standard interruptible transmission capacity, the price for booked standard interruptible transmission capacity, C_{sp} in CZK/MWh/d, shall be determined as C_s in CZK/MWh/d in point (2.3.1).

(2.10) For daily standard interruptible transmission capacity, C_{dp} in CZK/MWh/d, the price for booked standard interruptible transmission capacity shall be determined as C_{vyd} in CZK/MWh/d in point (2.7).

(2.11) For within-day standard interruptible transmission capacity, C_{vdp} in CZK/MWh/d, the price for booked standard interruptible transmission capacity shall be determined as C_{vyvd} in CZK/MWh/d in point (2.8).

(2.12) The compensation for a reduction in transmission nomination or renomination due to an interruption in interruptible transmission capacity, C_{sl} in CZK/MWh/d, if the transmission system operator reduced transmission nomination or renomination on gas day D , is calculated as

$$C_{sl} = C_{vyd} \times 3.$$

The transmission system operator shall pay the compensation for reductions in transmission nomination and renomination to the gas market participant that has booked interruptible

transmission capacity, for the part of the gas market participant's transmission nomination or renomination reduced by the transmission system operator. In the event of the transmission system operator reducing transmission nomination or renomination repeatedly, the highest achieved value of the reduction shall be used.

(2.13) 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 an interconnection point of the transmission system is **CZK 0** for every interconnection 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 interconnection 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 interconnection 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 interconnection 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 interconnection 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 interconnection 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.

PART THREE: Final provisions

(3) Repealing provisions

Energy Regulatory Office Price Decision No. 4/2020 of 4 June 2020 on regulated prices related to gas supply is repealed.

(4) Effect

The Price Decision comes into effect on 1 January 2022, with the exception of point (2.2), which comes into effect on 4 June 2021.

Energy Regulatory Office Board Chairman
Stanislav Trávníček