

Tariffs used in EGMM

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Transmission Tariff calculation methodology I.

Benchmarking methodology

In order to make baseline comparisons, transmission fees are estimated as a standardized transportation service for each relevant cross-border point and expressed in a common measurement unit (€/MWh).

The assumed standard transportation service has the following characteristics:

- The duration of transmission contracts is one year
- Contracts refer to firm transportation services
- The booked maximum hourly capacity is 10 000 kWh (/h/y)
- Applied booked capacity usage ratio is 56.2% ¹
- Tariffs are expressed in €/MWh

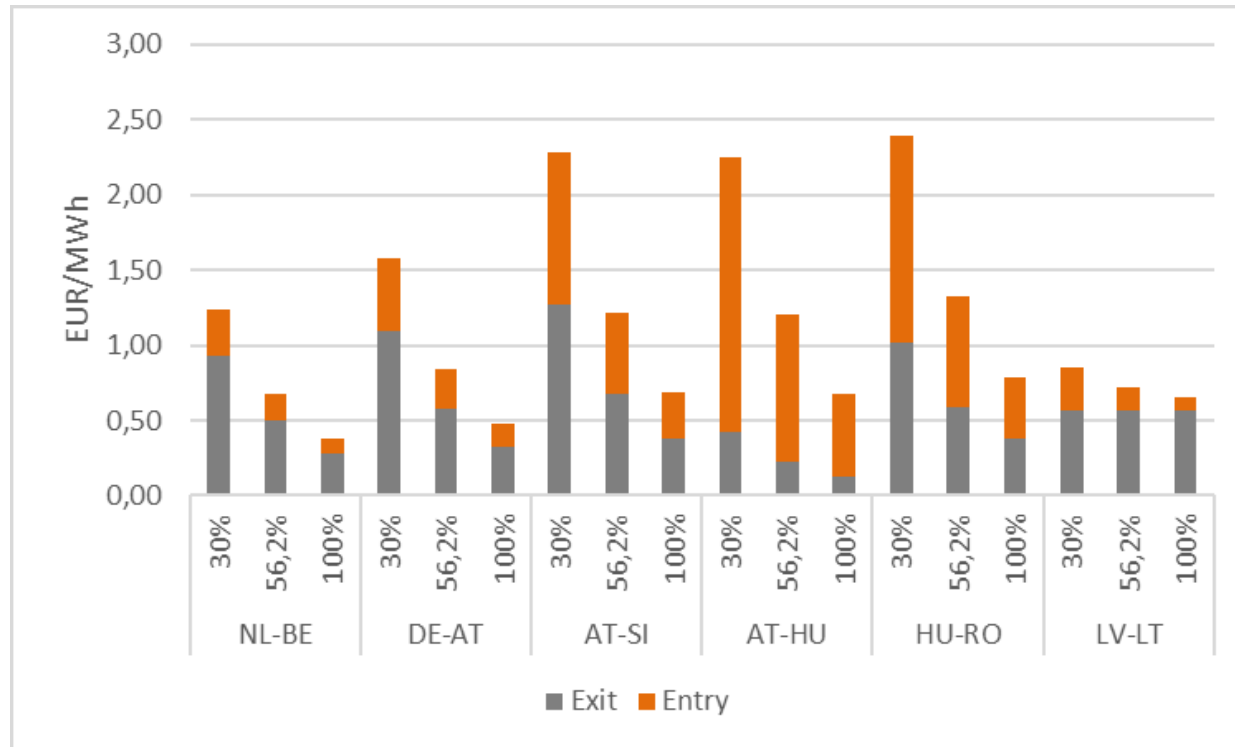
[\[1\]](#) calculated as: (Average flow)/(Average booked capacity). Average booked capacity utilization in Europe is reported in the Acer Market Monitoring Report 2015, pp. 251-252.

Transmission Tariff calculation methodology II.

- Using our assumed capacity reservation level of 10 000 kWh/h for the yearly firm transmission service contract, we calculate the overall transportation fee (in €) that would be incurred by a shipper at each interconnection point (IP), making all the necessary conversions regarding gas reference conditions and currency units.
- Once we have arrived at the total fee corresponding to the standardized service, tariffs can be determined on a per MWh basis (€/MWh), dividing total payments by the yearly transported volume (using the booked capacity usage ratio (56.2%)). The fee consists of the relevant exit plus entry fees due at the two sides of the border (including the commodity fee at the relevant point).²
- From 2017 onwards domestic exit points and production entry points are included in the model. Tariffs are calculated with the same methodology as in the case of IPs.
- [\[2\]](#) Where tariffs are set on an auction, reference price is included in the model, model calculates auction revenues

- 2016 tariffs are cross-checked with ACER tariffs
- 2016 April: all CESEC countries cross-checked their own tariffs used in EGMM
- ACER uses similar methodology
 - Yearly, firm product, one tariff per border
- ACER assumes 100% booked capacity usage, to make commodity and capacity type tariffs comparable – we assume the latest published average fact booked capacity usage (56.2%)

Effect of booked capacity usage assumption on transmission tariffs



- The market is moving to shorter term capacity booking
- Will this lead to more efficient usage of booked capacities?
- Yearly product with lower booked capacity usage ratio probably has similar price than short-term products with higher usage ratio.

Tariff evolution in the last few years

- Updated 2016 jan

From	SK	HU	HU	RO	HU	HR	AT	AT	SI	AT	NL
To	HU	SK	RO	HU	HR	HU	HU	SI	HR	DE	UK
E/E Tariff [EUR/MWh]	2,16	1,43	2,60	5,42	3,08	7,07	1,64	1,38	2,80	1,32	1,39

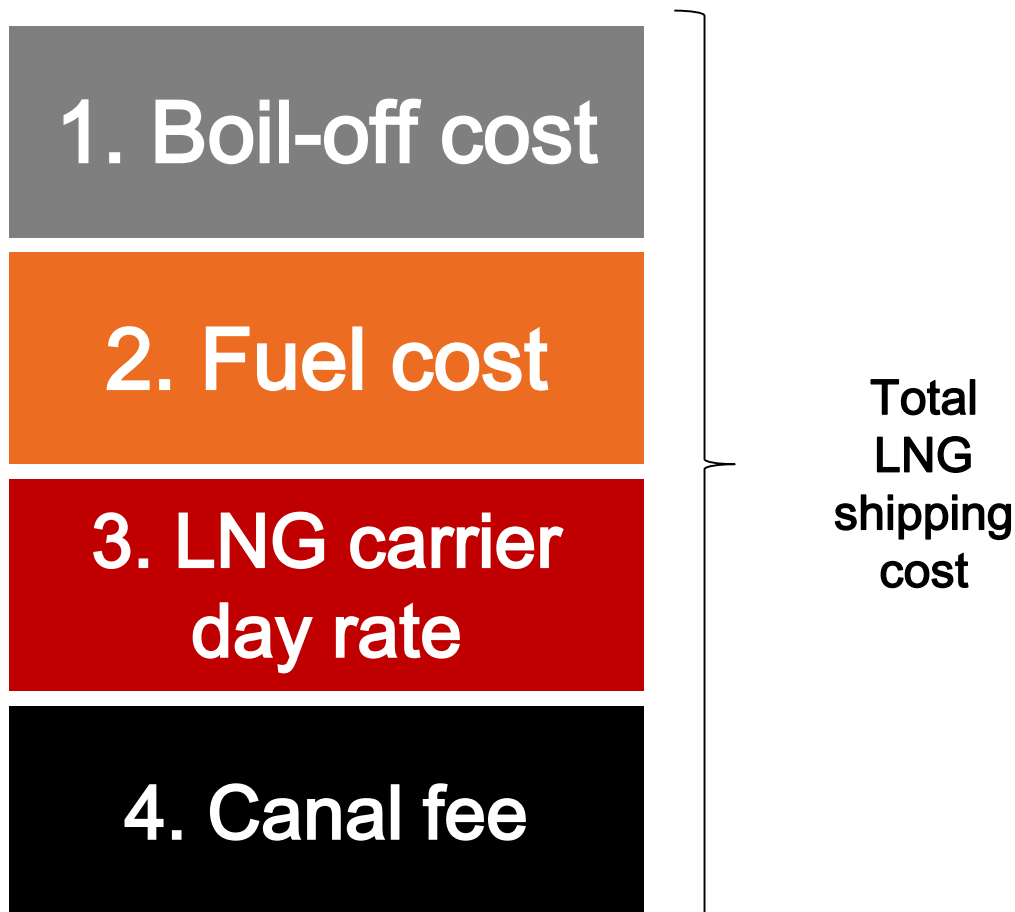
- Updated 2016 nov

From	SK	HU	HU	RO	HU	HR	AT	AT	SI	AT	NL
To	HU	SK	RO	HU	HR	HU	HU	SI	HR	DE	UK
E/E Tariff [EUR/MWh]	1,88	1,04	1,32	3,63	2,72	6,84	1,20	1,22	2,68	1,26	1,28

- Decreasing trend, shrinking differences between tariffs → already the effect of TAR NC?
- Current tariffs with extreme outliers cut could be a reasonable assumption for the reference

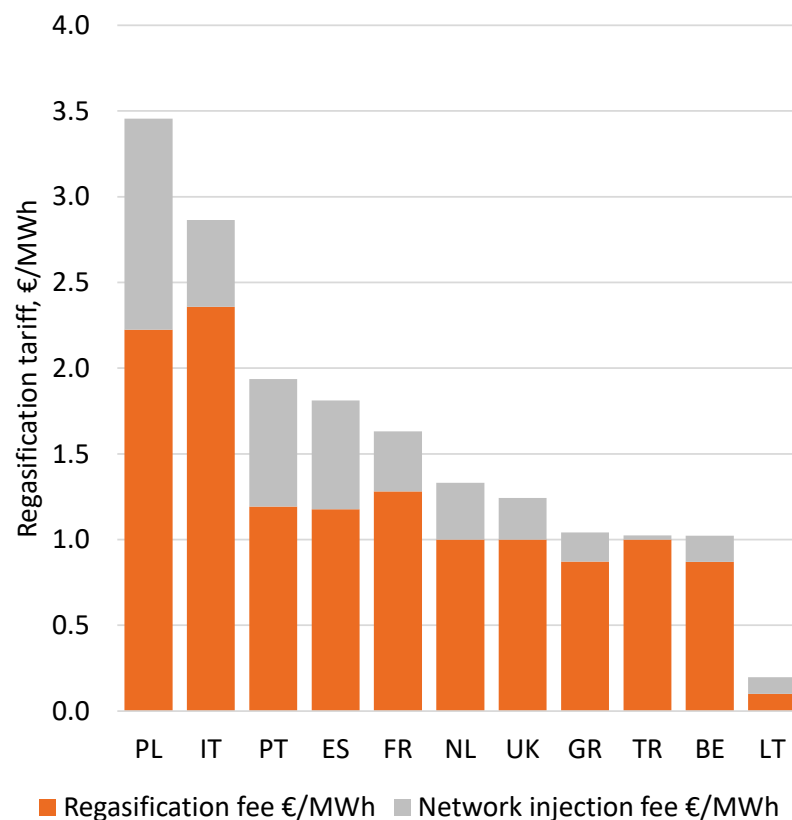
LNG shipping cost calculation

- Main factors:
 - Distance
 - LNG carrier day rate
 - Fuel price
 - Canal fee
- Distance-related shipping cost calculated for all possible routes supplying Europe
- Parameters as characteristic of 2016
- Price of LNG determined on an opportunity cost basis – how much does it cost not to ship to Asian markets?



LNG regasification fee calculation

- Published by LNG terminals, assuming a shipment of 135,000 cm (or the maximum capacity which the terminal can accept)
- Capacity and commodity fees converted to volumetric fee (€/MWh)
- Considering all relevant fees for regasification and entry into transmission system
- In case of negotiated access, a tariff of 1 €/MWh was applied
- List of terminals and tariff information based on GLE transparency template
- Fees calculated for 2016
- Tariffs cross-checked previously by stakeholders



- Considering a standard seasonal product
- Average injection and withdrawal period fits the characteristic product of the storage facility
- If storage price is above the 2016 summer-winter spread (~ 1 €/MWh), the storage tariff calculated is cut back to the threshold (as suggested by market participants)
- List of storages considered based on GIE 2016 capacity map
- Fees calculated for 2016 in €/MWh

Thank you for your attention

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