Tariffs used in EGMM

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Workshop on gas market modelling for the Quo Vadis project
26 July, 2017
Budapest
Transmission Tariff calculation methodology

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
Verification of tariffs

- 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

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<td>E/E Tariff [EUR/MWh]</td>
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<td>3,08</td>
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- Updated 2016 nov

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- 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?

1. Boil-off cost
2. Fuel cost
3. LNG carrier day rate
4. Canal fee

Total LNG shipping cost
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
Storage fee calculation

• 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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