DOCUMENTO PER LA CONSULTAZIONE 16 OTTOBRE 2018, 512/2018/R/GAS

CRITERI DI REGOLAZIONE TARIFFARIA PER IL SERVIZIO DI TRASPORTO E MISURA DEL GAS NATURALE PER IL QUINTO PERIODO DI REGOLAZIONE (5PRT)
ORIENTAMENTI FINALI

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 (5th) gas transmission regulatory period, from 2020 to 2023 (hereinafter: 5PRT), including the implementation of Regulation (EU) 2017/460, of 16 March 2017, establishing a network code on harmonised transmission tariff structures for gas (hereinafter: TAR NC). The provisions of the TAR NC include rules on the application of a reference price methodology, the calculation of reserve prices for standardised capacity products, as well as publication and consultation requirements. The Regulation sets union-wide rules, to be fully implemented by Member States within 31st May 2019, in order to increase the transparency of the tariff structures for the transmission of natural gas and of the procedures for their definition, contributing to market integration, enhancing security of supply and promoting the interconnection between gas networks.

The process leading to the current consultation has developed out of the following previous consultations: 413/2017/R/GAS of 8 June 2017 (general lines of intervention); 182/2018/R/GAS of 29 March 2018 (reference price methodology and cost allocation criteria); 347/2018/R/GAS of 21 June 2018 (allowed revenue).

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

- criteria for the determination of the allowed revenue 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.

This executive summary is issued as an Appendix of the consultation document published in Italian; the full English version of the consultation will be made available by the TSO Snam Rete Gas on a dedicated section of its website.

Allowed revenue

The consultation presents the general criteria for the determination of the allowed revenue in the 5PRT, with particular reference to the criteria to set the Regulatory Asset Base and to determine the allowed depreciation and operating costs.

Within this context, relevant issues are the choice of the β parameter for the definition of the rate of return (Weighted Average Cost of Capital, WACC) of the invested capital (the WACC methodology and the other parameters common to other regulated services are treated in a separated procedure of ARERA), and the preliminary proposals for a gradual transition from an input-based incentive mechanism to an output-based approach.

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 variable costs.

Cost allocation criteria

Transmission and non-transmission services

Concerning the distinction between transmission and non-transmission services, ARERA concludes 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. The reason is that their costs are both caused by the cost drivers of capacity and distance, and are related to the investment in and operation of the infrastructure, which is part of the regulated asset base for the provision of transmission services. It follows that the costs for such services have to be recovered by transmission tariffs.

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 proposes to classify such service as a non-transmission service, and to recover the corresponding costs 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, hence on both national and regional networks. 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 different entry-exit split (28/72) and with 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. The adoption of a single methodology (CWD) on the entire network implies a significant change in regulation, so far based on the matrix reference price methodology applied at entries and exits on the national network, and an exit-only postage stamp methodology applied at domestic delivery points on the regional network. The adoption of the CWD has a great impact on cost allocation between points, the most relevant change compared with the current methodology being the levelling out of reference prices; such outcome, with particular reference to the lower price differentials at entry points, is likely to have a positive impact on the competitiveness of the system.

The entry-exit split has been set to replicate the current 40/60 split on the national network and 0/100 split on the regional network, avoiding the cost of the latter to be improperly charged at entry points.

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 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.

Article 5 of the TAR NC requires the consultation to include a cost allocation assessment aiming at evaluating whether any cross subsidisation occurs between cross- and intra-system users of the entry/exit system, which in the Italian system translates into cross-border and domestic use. The results show that no cross subsidisation occurs either in relation to capacity-based charges determined according to the proposed RPM, or in relation to commodity-based charges.

Following Article 28 of the TAR NC, proposals concerning discounts, multipliers and seasonal factors are also published in this consultation. ARERA confirms the current regulatory framework for discounts applied to interruptible capacity (15% discount) and the level of multipliers (1.2 for quarterly products, 1.3 for monthly products and 1.5 for daily products at both entry and exit points). 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.