



CONSULTATION DOCUMENT FOR THE TRANSIT GAS PIPELINE SYSTEM

IN FULFILMENT OF ARTICLE 26 OF COMMISSION REGULATION (EU) 2017/460
OF 16 MARCH 2017 ESTABLISHING A NETWORK CODE
ON HARMONISED TRANSMISSION TARIFF STRUCTURES FOR GAS

WARSAW, AUGUST 2023

INTRODUCTION

Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas (Journal of Laws UE L 72/29 of 17.3.2017) (hereinafter: TAR NC) contains provisions on the methodology for determining reference prices and calculation of reserve prices for standard capacity products.

The purpose of the TAR NC is to harmonise the transmission tariff structures of Member States' operators and to provide some tools for comparison of transmission tariffs applied within the EU, while maintaining flexibility in the choice of elements of the reference price methodology to adapt to the maturity of the specific market and the level of complexity of the transmission network.

Using this freedom in the construction and selection of parameters used in the reference price methodology and with a view to protecting system users against significant changes in gas market conditions, Gas Transmission System Operator GAZ-SYSTEM S.A. (hereinafter: GAZ-SYSTEM or the Company) has selected the methodology, described in detail later in this document, in such a way as to meet the requirements of the TAR NC Code while minimizing the changes necessary in settlement of the gaseous fuel transmission services. Such actions of GAZ-SYSTEM are intended to ensure the predictability of conditions for the provision of gaseous fuel transmission services to transmission system users in Poland. The applied solutions also do not restrict cross-border trade and aim to provide long-term signals for the development of the transmission network.

The consultation on the reference price methodology is intended to enable network users a better understanding of the principles underlying the calculation of the tariffs set for transmission and non-transmission services and the changes made to those tariffs and the way in which they are set.

FINAL CONSULTATION – SCHEDULE

Pursuant to the provisions of the TAR NC and in accordance with the decision of the President of the Energy Regulatory Office (hereinafter: "President of the ERO") DRG.DRG-2.7129.5.2018.JD01 dated 16 July 2018, GAZ-SYSTEM has been appointed as the entity responsible for carrying out periodic consultations pursuant to Article 26 of the TAR NC, under which this document detailing the proposed tariff calculation methodology is published. The process of consultation and approval of the selected reference price methodology and calculating the tariff for 2025 consists of the following stages:

- Final consultation - minimum duration – 2 months 31 August – 31 October 2023
- Publication of responses received in the consultation process - within 1 month after the final consultation by 30 November 2023
- Evaluation process and analysis of the consultation document by ACER - within 2 months after the final consultation by 31 December 2023
- Approval and publication of the motivated decision of the President of the ERO - within 5 months after the end of final consultation by 31 March 2024

- Process of tariff recalculation and renegotiation with the President of ERO based on the approved reference price methodology, completed with the decision of the President of the ERO approving the tariff for gaseous fuel transmission services 1 April – 31 May 2024
- Tariff publication (30 days prior to yearly capacity auction) 31 May 2024
- Yearly capacity auction 1 July 2024
- Tariff entry into force 1 January 2025

The time frames of the individual stages of the schedule have been set counting backwards from the date required by the provisions of the TAR NC for publication of reserve prices calculated in accordance with a methodology approved by the regulatory authority through a consultation process, no later than 30 days prior to the annual auction of yearly capacity falling on the first Monday in July (here: 1 July 2024) i.e., no later than 31 May 2024.

Article 27(5) of the TAR NC states that the consultation process, as described above, should be conducted at least once every 5 years. GAZ-SYSTEM proposes that the reference price methodology described in this document should be valid for a period of 2 years, i.e., from 1 January 2025 at 6:00 a.m. to 1 January 2027 at 6:00 a.m.

The Company plans that tariffs approved under this methodology will be in force for a period of 12 months of a calendar year, assuming that the tariff period is equal to the regulatory period.

During the consultation process starting at the end of August 2023 with the publication of this document and lasting until 31 October 2023, it is possible for interested stakeholders to send their comments to the following e-mail address: nctar_sgt@gaz-system.pl. In order to ensure transparency and efficiency of the consultation process, the Company kindly requests that the comments be submitted in both Polish and English.

Pursuant to Article 26(2) of the TAR NC, the deadline for submitting comments on the methodology for calculating reserve prices for capacity products proposed herein by GAZ- SYSTEM expires at the end of the final consultation, i.e., 31 October 2023.

Under the TAR NC regulations, these comments should be public so that the operator can publish them with a summary as part of the next consultation stage. In order to ensure the confidentiality of the submitted comments, an appropriate note should be included in their content.

In order to make the consultation more effective, the consultation document available at: <https://www.gaz-system.pl/en/for-customers/services-in-the-tgps/tgps-tariff/tar-nc.html> has been published in both Polish and English language versions.

In case of discrepancies between the Polish and English versions of the consultation document, the consultation document drawn up in Polish shall be binding.

Within one month following the end of the final consultation GAZ-SYSTEM shall publish the responses received in the consultation procedure and their summary. In accordance with TAR NC guidelines, the summary of comments will also be provided in English to ensure transparency and efficiency of the process.

This document published as part of the final consultation is the document submitted to ACER for analysis and assessment of its compliance with the provisions of Article 27(1) and (2) of the TAR NC. This document will constitute the basis for the President of ERO in taking a justified decision approving the RPM proposed by GAZ-SYSTEM in accordance with Article 27(4) of the TAR NC.

Given that there are two separate Entry-Exit systems in Poland, each of which is managed, in accordance with the decisions of the President of the ERO¹, by an independent Transmission System Operator:

- The Transit Gas Pipeline System (hereinafter: "TGPS") being the Polish section of the Yamal-Western Europe gas pipeline owned by EuRoPol GAZ s.a., on which, pursuant to the decision of the President of the ERO of 17 November 2010 Ref. No. DPE-4720-4(8)/2010/6154/BT GAZ-SYSTEM performs the function of operator in accordance with the guidelines of Directive 2009/73/EC in the ISO (Independent System Operator) model. On 19 May 2015, by virtue of the decision of the President of the ERO Ref. No. DRG-4720-2(28)/2014/2015/6154/KF, GAZ-SYSTEM S.A. was granted a certificate of independence in relation to the performance of the function of a transmission system operator on the Polish section of the Yamal - Western Europe gas pipeline owned by the company Transit Gas Pipeline System EuRoPol GAZ s.a. hereinafter also referred to as: EPG).
- National Transmission System (hereinafter: NTS), on which, in accordance with the decision of the President of the Energy Regulatory Office (hereinafter: President of the ERO) of 6 December 2018 Ref. no. DRG.DRG-1.4720.1. 2018.KL GAZ-SYSTEM S.A., GAZ-SYSTEM being at the same time the owner of the network performs the function of the operator.

Pursuant to Article 6(3) of TAR NC, GAZ-SYSTEM publishes separate consultation documents containing separate reference price methodologies, separately for the NTS and TGPS.

From 1 January 2023, following the expiry of historical contracts on the TGPS at the end of 2022, transmission services provided by GAZ-SYSTEM on the Transit Gas Pipeline System are settled according to the tariff approved by the President of ERO upon the request of GAZ-SYSTEM, prepared on the basis of the reference price methodology approved by the President of ERO for the years 2023-2024.

¹ Decision of the President of the ERO of 6 December 2018 Ref. no.: DRG.DRG-1.4720.1. 2018.KL extending of the designation of Gas Transmission Operator GAZ-SYSTEM S.A. with its registered office in Warsaw as the gas transmission system operator in Poland for a period until 6 December 2068;

Decision of the President of the ERO of 17 November 2010 Ref. no.: DPE-4720-4(8)/2010/6154/BT, designating the energy company Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. with its registered office in Warsaw as the independent operator of the Polish section of the Yamal pipeline for a period until 31 December 2025.

Currently transmission services provided on the TGPS are settled according to the tariff approved for 2023 by the President of ERO upon the request of GAZ-SYSTEM. Settlement between EuRoPol GAZ s.a. and GAZ-SYSTEM takes place on the basis of the agreement on entrusting the duties of the transmission system operator for the section of the Yamal-Western Europe Transit Gas Pipeline System located on the territory of the Republic of Poland, constituting an annex to the decision of the President of the ERO, Ref. No. DRG.DRG-1.7720.1.2022.TA of 29 August 2022 (hereinafter: Agreement). As part of the implementation of the said Agreement, GAZ-SYSTEM is responsible for performing the duties of the TGPS operator, in particular for calculating the Tariff and submitting an application for its approval to the President of the ERO.

On 2 June 2021 the President of ERO approved by virtue of the decision Ref. No. DRG.DRG- 2.4212.32. 2023.JDo1G at the request of GAZ-SYSTEM the Tariff for the transmission of High- Methane Natural Gas for the period from 1 January 2024 to 1 January 2025.

At the same time, the Company notes that in connection with the decision of the President of the ERO designating GAZ-SYSTEM as the entity responsible for conducting the consultations under Article 26 of the TAR NC, the President of the ERO will not conduct separate consultations regarding the reference price methodology. Nevertheless, concurrently to the final consultations conducted by GAZ-SYSTEM, the President of the ERO is consulting the national regulatory authorities of all directly connected Member States and relevant stakeholders regarding Article 28 of the TAR NC. Consultations conducted by the President of the ERO include:

- multiplier levels for the short-term capacity products offered;
- the levels of seasonal factors for the short-term capacity products offered, if applicable, and the methodology of calculation thereof;
- the discount levels specified in Articles 9(2) and 16 of the TAR NC.

Due to the high unpredictability of the use of the capacity offered in the Transit Gas Pipeline System in the context of the current geopolitical situation, the **Company proposes that the methodology for determining reference prices described herein be applicable for a period of 2 years, i.e. from 1 January 2025, 6:00 a.m. to 1 January 2027, until 6:00 a.m.** Additionally, the planned completion of the TGPS Program covering the implementation of tasks related to the use of the TGPS infrastructure after the expiry of the Yamal contract, i.e. the construction of the Lwówek Compressor Station and new connection points to the TGPS until 2027 should be taken into account. The completion of this programme shall close one of the stages of expansion and functional modernisation of the transmission system and adaptation of the system to operation in the conditions of lack of supply from the East.

[A] ARTICLE 26(1)(A): PROPOSED REFERENCE PRICE METHODOLOGY.

[1] Information on the parameters used in the proposed reference price methodology (RPM) related to technical characteristics of the transmission system [Article 26(1)(a)(i), Article 30(1)(a)].

Article 26(1)(a)	<p>[A] Description of the proposed reference price methodology (RPM).</p> <p>The reference price methodology proposed by GAZ-SYSTEM and described herein assumes only fixed charges levied based on contracted capacity, in accordance with the provisions of the Polish Regulation of the Minister of Energy of 15 March 2018 on detailed principles of shaping and calculating tariffs and settlements in the gas fuel trade (Journal of laws of 2021, item 280) (hereinafter: Tariff Regulation) and the TAR NC.</p> <p>The reference price methodology presented herein assumes that the charges levied depending on the contracted capacity will be charged at all entry and exit points of the transmission system.</p> <p>The reference price methodology proposed by GAZ-SYSTEM is the postage stamp methodology.</p> <p>According to the methodology proposed and described herein, it is assumed that all revenues will be recovered in the form of capacity-based transmission tariffs (fixed charges). It assumes that costs are allocated to individual entry points and correspondingly individual exit points based on a single cost driver - forecast contracted capacity.</p> <p>In practice, this means that the proposed rate will be identical for all entry points and identical for all exit points.</p> <p>The methodology described herein shall apply to the following interconnection points:</p> <ul style="list-style-type: none"> ▪ Mallnow Entry; ▪ PWP (Point of Interconnection) Exit; ▪ Mallnow Exit. <p>In order to allocate the revenue planned to be recovered at various entry and exit points of the Transit Gas Pipeline System, a 50/50 split of costs between the entry and exit points was assumed.</p>
Articles 26(1)(a)(i) 30(1)(a)(i-v)	<p>[B] Justification of the parameters used that are related to the technical characteristics of the system.</p> <p>The technical characteristics of the Transit Gas Pipeline System - the transit nature and linearity of the pipeline, and the fact that in the case of the TGPS system which consists of two exit points only (Mallnow, PWP) and one entry point (Mallnow) - the distance is not a cost factor, therefore the applicability of the <i>postage stamp methodology</i> for determining the reference price is justified.</p>
Articles 26(1)(a)(i) 30(1)(a)(i)	<p>[C] Technical capacity at entry and exit points and associated assumptions.</p> <p>not applicable</p> <p>The forecasted contracted capacities at the TGPS interconnection points were used to calculate the indicative rates.</p>

[D] Forecasted contracted capacity at entry and exit points and associated assumptions.

The contracted capacities which constitute the basis for the calculation of the reference prices presented herein were estimated on the basis of a forecast prepared by GAZ-SYSTEM and are based on the assumption that in the TGPS gaseous fuel will be transported from the east to the west and that the National Transmission System will be supplied from the west through the PWP interconnection point.

The table below shows the forecasted contracted capacities at each entry and exit point included in the calculation of the indicative reference prices (transmission tariffs) subject to this consultation.

Table 1D

Contracted capacity for entry and exit points - forecast [kWh/h]

Year 2025

ENTRY point

Mallnow Entry	1 161 968
---------------	-----------

EXIT points

Point of Interconnection (PWP) Exit	1 145 937
-------------------------------------	-----------

Mallnow Exit	120 584
--------------	---------

The volume of contracted capacity constituting the basis for the calculation of reserve prices for tariff year n shall be the sum of:

- contracted capacities for the year for which the tariff is calculated, capacities resulting from multi-annual contracts and capacities contracted under the concluded auctions;
- the capacity contracted under the annual standard firm and interruptible capacity products as of the date of submission of the tariff application in year $n-1$ and the long-term forecasts for the sale of transmission services with high probability of achievement;
- the capacity level contracted under the quarterly, monthly and daily standard firm and interruptible capacity products in year $n-2$ preceding year $n-1$ in which the tariff application is submitted, excluding the capacity with low probability of being contracted in year n .

[E] The quantity and the direction of the gas flow for entry and exit points and associated assumptions, such as demand and supply scenarios for the gas flow under peak conditions.

The TGPS tariff calculated on the basis of this methodology will be exclusively a capacity-based tariff (100% fixed charges). The volume of gaseous fuel transported at the entry and exit points is not a parameter used in the proposed RPM.

The proportion of revenue recovered in the form of capacity-based transmission tariffs to revenue recovered in the form of commodity-based transmission tariffs for gaseous fuel transported, as proposed by GAZ-SYSTEM, is 100/0. The above solution adopted by national legislation (Tariff Regulation) is compliant with the provisions of Article 4 of the TAR NC. The effect of the proposed solution are the charges levied in the form of tariffs based on a single cost driver - the contracted capacity.

Articles

26(1)(a)(i)

30(1)(a)(ii)

Articles

26(1)(a)(i)

30(1)(a)(iii)

<p>Articles 26(1)(a)(i) 30(1)(a)(iv)</p>	<p>[F] The structural representation of the transmission network with an appropriate level of detail.</p> <p>The Transit Gas Pipeline System [TGPS] in Poland constitutes a part of the gas pipeline system measuring an estimated 4000 km, running from Russia through Belarus and Poland to Western Europe. On Polish territory between the border with Belarus and the border with Germany, the length of the gas pipeline is 683.9 km. The system features a linear structure comprising one pipeline and the following points:</p> <ul style="list-style-type: none"> ▪ Mallnow Entry - interconnection point at the border between the German transmission system and the TGPS, ▪ PWP Exit - interconnection point at the border between the TGPS and the National Transmission System owned by GAZ-SYSTEM, ▪ Mallnow Exit - interconnection point at the border of the TGPS and the German transmission system ▪ Kondratki Entry - pursuant to the decision of the President of the Energy Regulatory Office of 28.03.2023, Ref. no. DRR.WRG.745.3.2023.JBu the Kondratki point was removed from the list of applicable points. <p>The scope of operations of Gas Transmission System Operator GAZ-SYSTEM S.A. is available on the website www.gaz-system.pl under the link: https://swi.gaz-system.pl/swi/public/#!/gis/map/preview?id=10072&lang=en</p>						
<p>Articles 26(1)(a)(i) 30(1)(a)(v)</p>	<p>[G] Additional technical information about the transmission network, such as the length and the diameter of pipelines and the power of compressor stations.</p> <p>The table below provides information on the length and diameter of the TGPS pipeline.</p> <p>Table 1G</p> <table border="1" data-bbox="325 1182 874 1406"> <thead> <tr> <th colspan="2">Network technical parameters – pipeline lengths and diameters</th> </tr> <tr> <th>Diameter</th> <th>Length [km]</th> </tr> </thead> <tbody> <tr> <td>DN 1400</td> <td>683.9</td> </tr> </tbody> </table> <p>In this document, GAZ-SYSTEM has presented only the technical parameters of assets which, on the basis on the Agreement on entrusting the duties of the transmission system operator on the section of the Yamal-Western Europe Transit Gas Pipeline System located on the territory of the Republic of Poland, have been recognized as necessary for GAZ-SYSTEM to perform the function of the operator on Polish section of the Yamal gas pipeline.</p>	Network technical parameters – pipeline lengths and diameters		Diameter	Length [km]	DN 1400	683.9
Network technical parameters – pipeline lengths and diameters							
Diameter	Length [km]						
DN 1400	683.9						
<p>[2] The value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9.</p>							
<p>Articles 26(1)(a)(ii) 9(1)</p>	<p>[A] Proposed discount(s) at entry points from and exit points to storage facilities.</p> <p>not applicable</p> <p>There are no points of entry from / exit to storage facilities on the Transit Gas Pipeline System.</p>						

Articles 26(1)(a)(ii) 9(2)	<p>[B] Proposed discount(s) at entry points from LNG facilities.</p> <p>not applicable</p> <p>There are no entry points from LNG facilities on the Transit Gas Pipeline System.</p>										
Articles 26(1)(a)(ii) 9(2)	<p>[C] Proposed discount(s) at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems.</p> <p>not applicable</p> <p>The TGPS has no entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems.</p>										
<p>[3] Indicative reference prices subject to consultation [Article 26(1)(a)(iii)].</p>											
Article 26(1)(a)(iii)	<p>[A] Indicative reference prices at each entry point and at each exit point.</p> <p>The table below presents the indicative reference prices calculated on the basis of the forecasted contracted capacities based on the RPM described herein.</p> <p>Table 3A</p> <hr/> <p><i>Indicative reference prices for 2025 year [gr/kMWh/h] per h</i></p> <hr/> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="padding-left: 20px;">ENTRY point</td> </tr> <tr> <td style="padding-left: 20px;">Mallnow Entry</td> <td style="text-align: right; padding-right: 20px;">0.9510</td> </tr> <tr> <td colspan="2" style="padding-left: 20px;">EXIT points</td> </tr> <tr> <td style="padding-left: 20px;">Point of Interconnection (PWP) Exit</td> <td style="text-align: right; padding-right: 20px;">0.8725</td> </tr> <tr> <td style="padding-left: 20px;">Mallnow Exit</td> <td style="text-align: right; padding-right: 20px;">0.8725</td> </tr> </table>	ENTRY point		Mallnow Entry	0.9510	EXIT points		Point of Interconnection (PWP) Exit	0.8725	Mallnow Exit	0.8725
ENTRY point											
Mallnow Entry	0.9510										
EXIT points											
Point of Interconnection (PWP) Exit	0.8725										
Mallnow Exit	0.8725										
<p>[4] Cost allocation assessment [Article 26(1)(a)(iv), Article 5].</p>											
Articles 26(1)(a)(iv) 5	<p>[A] Results of the cost allocation assessment.</p> <p>All entry and exit points on the Transit Gas Pipeline System are interconnection points. No end users are connected to the TGPS network, so the TGPS network has no intra-system connection points. In addition, a PWP point is a point connecting two separate Entry-Exit systems and, as such, cannot be considered an intra-system point according to the definitions of intra-system network use (Article 3(8) TAR NC) and cross-system network use (Article 3(9) TAR NC).</p> <p>Therefore, the $Comp_{cap}$ cost allocation index referred to in Article 5 of the TAR NC for comparing the cross-system $Ratio_{cross\ cap}$ capacity index and the intra-system $Ratio_{intra\ cap}$ capacity index, is not calculated.</p> <p>For this reason, the Company does not provide a cost allocation assessment as all costs are recovered from cross-system network use on the TGPS.</p>										

Articles 26(1)(a)(iv) 5	<p>[B] Cost allocation assessment components referred to in Article 5.</p>																							
	<p>Due to the specific nature of the Transit Gas Pipeline System, i.e. the lack of intra-system connections, GAZ-SYSTEM presents the parameters for the assessment of cost allocation for cross-system points.</p> <p>The details of the cost allocation assessment components are summarized in [4][C].</p>																							
	<p>[C] Details of the cost allocation assessment components.</p> <p>GAZ-SYSTEM has developed a set of parameters for the cost allocation assessment of cross-system points. The Company notes that there are no intra-system connection points in the TGPS, therefore, cost allocation assessment parameters for these points is not possible. Details are shown in the table below.</p> <p>Table 4C</p> <hr/> <p>Indicative information about cross-system points</p> <hr/> <p>Year 2025</p> <hr/> <table border="1" data-bbox="304 779 1541 1099"> <thead> <tr> <th data-bbox="304 779 783 869">Cross-system points</th> <th data-bbox="783 779 1018 869">Forecasted contracted capacity [kWh/h]</th> <th data-bbox="1018 779 1252 869">Indicative tariff price [gr/kWh/h per h]</th> <th data-bbox="1252 779 1541 869">Cross-system revenue [k PLN]</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 869 783 902">ENTRY point</td> <td data-bbox="783 869 1018 902"></td> <td data-bbox="1018 869 1252 902"></td> <td data-bbox="1252 869 1541 902"></td> </tr> <tr> <td data-bbox="304 902 783 936">Mallnow Entry</td> <td data-bbox="783 902 1018 936">1 161 968</td> <td data-bbox="1018 902 1252 936">0.9510</td> <td data-bbox="1252 902 1541 936">96 799</td> </tr> <tr> <td data-bbox="304 936 783 969">EXIT points</td> <td data-bbox="783 936 1018 969"></td> <td data-bbox="1018 936 1252 969"></td> <td data-bbox="1252 936 1541 969"></td> </tr> <tr> <td data-bbox="304 969 783 1003">Point of Interconnection (PWP) Exit</td> <td data-bbox="783 969 1018 1003">1 145 937</td> <td data-bbox="1018 969 1252 1003">0.8725</td> <td data-bbox="1252 969 1541 1003">87 583</td> </tr> <tr> <td data-bbox="304 1003 783 1037">Mallnow Exit</td> <td data-bbox="783 1003 1018 1037">120 584</td> <td data-bbox="1018 1003 1252 1037">0.8725</td> <td data-bbox="1252 1003 1541 1037">9 216</td> </tr> </tbody> </table>	Cross-system points	Forecasted contracted capacity [kWh/h]	Indicative tariff price [gr/kWh/h per h]	Cross-system revenue [k PLN]	ENTRY point				Mallnow Entry	1 161 968	0.9510	96 799	EXIT points				Point of Interconnection (PWP) Exit	1 145 937	0.8725	87 583	Mallnow Exit	120 584	0.8725
Cross-system points	Forecasted contracted capacity [kWh/h]	Indicative tariff price [gr/kWh/h per h]	Cross-system revenue [k PLN]																					
ENTRY point																								
Mallnow Entry	1 161 968	0.9510	96 799																					
EXIT points																								
Point of Interconnection (PWP) Exit	1 145 937	0.8725	87 583																					
Mallnow Exit	120 584	0.8725	9 216																					
<p>[5] Assessment of the proposed reference price methodology in accordance to Article 7 and Article 13 of the Regulation (EC) No. 715/2009 [Article 26(1)(a)(v)].</p>																								
Articles 26(1)(a)(v) 7 13 [Regulation (EC)No. 715/2009]	<p>[A] Reference Price Methodology (RPM) should: enable network users to reproduce the calculation of reference prices and their accurate forecast [Article 7(a)].</p>																							
	<p>The indicative reference prices presented in this consultation document have been calculated in accordance with <i>postage stamp</i> methodology. A description of the proposed RPM, indicative input data and charge calculation methodology are presented in [1A] above. All described input parameters enable network users to reproduce the calculation of reference prices and their forecast.</p>																							
	<p>[B] The RPM should take into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network [Article 7(b)];</p>																							
<p>The proposed RPM is based on the actual costs of providing transmission services during the tariff periods covered by this consultation and takes into account the level of complexity of the transmission network (see methodology description in [1A]). The indicative rates presented herein have been calculated on the basis of the best knowledge of GAZ-SYSTEM regarding the forecasted operating costs associated with the transmission of gaseous fuel through the TGPS for the year 2025.</p>																								

Articles 26(1)(a)(v) 7 13 [Regulation (EC)No. 715/2009]	<p>[C] The RPM shall ensure non-discrimination and shall prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5 of the TAR NC.</p>
	<p>GAZ-SYSTEM adopts a 50/50 split of costs between entry/exit points. This methodology reflects costs in a non-discriminatory manner and prevents any excessive cross-subsidisation. System users shall bear the costs of its operation in proportion to its use based on contracted capacity.</p> <p>Due to the special characteristics of the Transit Gas Pipeline System, i.e. the lack of intra-system connections, the Company cannot demonstrate CAA in accordance with Article 5 of the TAR NC, as it is not possible to calculate CAA for the TGPS.</p>
	<p>[D] The RPM shall ensure that significant volume risk related particularly to transports across an Entry-Exit system is not assigned to final customers within that Entry-Exit system.</p>
	<p>All entry and exit points on the Transit Gas Pipeline System are interconnection points. No end-users are connected to the TGPS. However, the PWP point is a connection point between the two Entry-Exit systems and as such it cannot be considered an intra-system point.</p>
<p>[E] The RPM shall ensure that the resulting reference prices do not distort cross-border trade.</p>	
<p>The indicative rates calculated according to the methodology proposed by GAZ-SYSTEM, consistent with the postage stamp methodology, do not distort cross-border trade.</p> <p>The reference price methodology proposed by GAZ-SYSTEM assumes that costs are allocated to individual entry points and correspondingly individual exit points based on a single cost driver - forecasted contracted capacity. The consequence of such a solution is an equal price for both exit points.</p>	

[6] Comparison with the CWD methodology (Article 8) together with the indicative reference prices is subject to consultation set out in Article 26(1)(a)(iii).

[A] Where the proposed reference price methodology differs from the capacity weighted distance reference price methodology detailed in Article 8, a comparison between both methodologies should be performed.

The reference prices calculated on the basis of the CWD methodology and the *postage stamp methodology* adopted by GAZ-SYSTEM are determined on the basis of an indicative level of regulated revenue from transmission services for the year 2025 amounting to 193,598 k PLN.

The reference prices calculated according to the CWD methodology indicated in the TAR NC as a comparative methodology, are calculated using two cost drivers: the forecasted contracted capacity and the distance between individual entry and exit points of the transmission system. The rates calculated according to the CWD methodology are presented in the table below.

Table 6A

CWD methodology

	Forecasted contracted capacity [kWh/h]	Weighted average distance	Weight of cost	Allocated revenue [k PLN]	CWD reference price [gr/kWh/h per h]
ENTRY point					
Mallnow Entry	1 161 968	270.96	1.00	96 799	0.9510
EXIT points					
Point of Interconnection (PWP) Exit	1 145 937	270.96	0.90	87 583	0.8725
Mallnow Exit	120 584	270.96	0.10	9 216	0.8725

The indicative reference prices determined according to *postage stamp methodology* with the assumption of a 50/50 split of costs between entry/exit points are identical to those calculated according to the CWD methodology.

Articles
26(1)(a)(vi) 8

Articles 26(1)(a)(vi) 8	<p>[B] Comparison of indicative reference prices at each entry point and at each exit point of the proposed RPM and the CWD detailed in Article 8.</p> <p>A comparison of the indicative reference prices at the entry point and at each exit point according to the proposed <i>postage stamp</i> and CWD methodology is presented below.</p> <p>Table 6B</p> <p>The comparison of the reference prices for year 2024 and indicatice reference prices for year 2025 - Methodology CW D</p> <table border="1" data-bbox="312 495 1385 837"> <thead> <tr> <th></th> <th>Tariff 2024 [gr/kWh/h per h]</th> <th>Indicative tariff rates Postage-stamp [gr/kWh/h per h]</th> <th>Indicative tariff rates CWD [gr/kWh/h per h]</th> </tr> </thead> <tbody> <tr> <td colspan="4">ENTRY point</td> </tr> <tr> <td>Mallnow Entry</td> <td>0.5157</td> <td>0.9510</td> <td>0.9510</td> </tr> <tr> <td colspan="4">EXIT points</td> </tr> <tr> <td>Point of Interconnection (PW P) Exit</td> <td>0.4916</td> <td>0.8725</td> <td>0.8725</td> </tr> <tr> <td>Mallnow Exit</td> <td>0.4916</td> <td>0.8725</td> <td>0.8725</td> </tr> </tbody> </table>		Tariff 2024 [gr/kWh/h per h]	Indicative tariff rates Postage-stamp [gr/kWh/h per h]	Indicative tariff rates CWD [gr/kWh/h per h]	ENTRY point				Mallnow Entry	0.5157	0.9510	0.9510	EXIT points				Point of Interconnection (PW P) Exit	0.4916	0.8725	0.8725	Mallnow Exit	0.4916	0.8725	0.8725
	Tariff 2024 [gr/kWh/h per h]	Indicative tariff rates Postage-stamp [gr/kWh/h per h]	Indicative tariff rates CWD [gr/kWh/h per h]																						
ENTRY point																									
Mallnow Entry	0.5157	0.9510	0.9510																						
EXIT points																									
Point of Interconnection (PW P) Exit	0.4916	0.8725	0.8725																						
Mallnow Exit	0.4916	0.8725	0.8725																						
[B] ALLOWED OR TARGET REVENUE OF THE TRANSMISSION SYSTEM OPERATOR [ARTICLE 26(1)(B)]																									
[7] The indicative information set out in Article 30(1)(b)(i), (iv), (v):																									
Articles 26(1)(b) 30(1)(b)(i)	<p>[A] Allowed or target revenue, or both, of the transmission system operator.</p> <p>The indicative revenue for the 2025 tariff year for which this methodology is consulted amounts to 193,598 k PLN and represent the amount of regulated revenue exclusively from transmission services. As the TGPS offers no other non-transmission services, the value of the transmission system operator's target revenue is equal to the revenue from the transmission services.</p>																								
Articles 26(1)(b) 30(1)(b)(iv)	<p>[B] The transmission services revenue.</p> <p>Indicative revenue from transmission services for the tariff year 2025 amounts to 193,598 k PLN and is equal to the amount of regulated revenue.</p>																								

<p>Articles 26(1)(b) 30(1)(b)(v)(1)</p>	<p>[C] Capacity-commodity split of the transmission services revenue. Breakdown between the revenue from capacity-based transmission tariffs and the revenue from commodity-based transmission tariffs.</p> <p>The allowed revenue approved by the President of the Energy Regulatory Office shall be established by the cost-plus methodology and shall constitute the sum of the forecasted operating costs of the Transit Gas Pipeline System (remuneration for the TGPS Owner and operating costs of GAZ-SYSTEM related to the transmission activity of the TGPS), in a given tariff year and the return on invested capital established as a percentage of the regulatory value of GAZ-SYSTEM assets involved in the transmission activity of the TGPS. The remuneration of the TGPS Owner is calculated on the basis of the provisions of the Agreement on the entrustment of the duties of the transmission system operator on the section of the Yamal-Western Europe Transit Gas Pipeline System located on the territory of the Republic of Poland, constituting an annex to the decision of the President of the ERO of 29 August 2022, Ref. No. DRG.DRG-1.4720.1.2022.TA.</p> <p>The table below presents the breakdown of indicative regulated revenue recovered from capacity-based transmission tariffs and the revenue from commodity-based gaseous fuel transmission tariffs:</p> <p>Table 7C</p> <table border="1"> <thead> <tr> <th colspan="3">Revenue recovered from capacity and commodity-based tariffs</th> </tr> <tr> <th></th> <th>Revenue split [%]</th> <th>Revenue [k PLN]</th> </tr> </thead> <tbody> <tr> <td>Capacity-based tariff revenue</td> <td>100%</td> <td>193 598</td> </tr> <tr> <td>Commodity-based tariff revenue</td> <td>0%</td> <td>-</td> </tr> </tbody> </table>	Revenue recovered from capacity and commodity-based tariffs				Revenue split [%]	Revenue [k PLN]	Capacity-based tariff revenue	100%	193 598	Commodity-based tariff revenue	0%	-
Revenue recovered from capacity and commodity-based tariffs													
	Revenue split [%]	Revenue [k PLN]											
Capacity-based tariff revenue	100%	193 598											
Commodity-based tariff revenue	0%	-											
<p>Articles 26(1)(b) 30(1)(b)(v)(2)</p>	<p>[D] Entry-exit split of the transmission services revenue. Split of the capacity-based transmission tariffs at all entry points and the revenue from capacity-based transmission tariffs at all exit points.</p> <p>A 50/50 split of costs between entry and exit points has been adopted.</p> <p>The split of regulated revenue recovered by means of fixed charges at entry points and at exit points for high-methane gas is presented in the table below:</p> <p>Table 7D</p> <table border="1"> <thead> <tr> <th colspan="3">Revenue recovered at entry and exit points</th> </tr> <tr> <th></th> <th>Revenue split [%]</th> <th>Revenue [k PLN]</th> </tr> </thead> <tbody> <tr> <td>Capacity-based tariff revenue recovered at entry points</td> <td>50%</td> <td>96 799</td> </tr> <tr> <td>Capacity-based tariff revenue recovered at exit points</td> <td>50%</td> <td>96 799</td> </tr> </tbody> </table>	Revenue recovered at entry and exit points				Revenue split [%]	Revenue [k PLN]	Capacity-based tariff revenue recovered at entry points	50%	96 799	Capacity-based tariff revenue recovered at exit points	50%	96 799
Revenue recovered at entry and exit points													
	Revenue split [%]	Revenue [k PLN]											
Capacity-based tariff revenue recovered at entry points	50%	96 799											
Capacity-based tariff revenue recovered at exit points	50%	96 799											

Articles 26(1)(b) 30(1)(b)(v)(3)	<p>[E] Intra-system/cross-system split of the transmission services revenue. Breakdown between the revenue from intra-system network use at both entry points and exit points calculated as set out in Article 5 of TAR NC.</p> <p>All entry and exit points on the Transit Gas Pipeline System are cross-system points.</p> <p>Table 7E</p> <table border="1" data-bbox="312 421 1353 629"> <thead> <tr> <th data-bbox="312 421 874 479">Revenue recovered at intra-system and cross-system points</th> <th data-bbox="874 479 1114 537">Revenue split [%]</th> <th data-bbox="1114 479 1353 537">Revenue [k PLN]</th> </tr> </thead> <tbody> <tr> <td data-bbox="312 537 874 584">Revenue recovered at cross-system points</td> <td data-bbox="874 537 1114 584">100%</td> <td data-bbox="1114 537 1353 584">193 598</td> </tr> <tr> <td data-bbox="312 584 874 629">Revenue recovered at intra-system points</td> <td data-bbox="874 584 1114 629">0%</td> <td data-bbox="1114 584 1353 629">-</td> </tr> </tbody> </table>	Revenue recovered at intra-system and cross-system points	Revenue split [%]	Revenue [k PLN]	Revenue recovered at cross-system points	100%	193 598	Revenue recovered at intra-system points	0%	-
Revenue recovered at intra-system and cross-system points	Revenue split [%]	Revenue [k PLN]								
Revenue recovered at cross-system points	100%	193 598								
Revenue recovered at intra-system points	0%	-								
<p>[C] INFORMATION ON COMMODITY-BASED TRANSMISSION TARIFFS AND NON-TRANSMISSION SERVICE TARIFFS [ARTICLE 26(1)(C)]</p>										
<p>[8] Flow-based charge. Information on commodity-based transmission tariffs for gaseous fuel referred to in Article 4(3).</p>										
Articles 26(1)(c)(i) (1) 4(3)(a)	<p>[A] The manner in which they are set.</p> <p>not applicable</p> <p>As per the proposed RPM, 100% of the regulated revenue will be recovered from the fixed charge. No commodity-based transmission tariff calculation methodology is proposed.</p>									
Articles 26(1)(c)(i) (2) 4(3)(a)	<p>[B] The share of the allowed or target revenue forecasted to be recovered from such tariffs.</p> <p>not applicable</p> <p>As per the proposed RPM, 100% of the regulated revenue will be recovered from the fixed charge. No commodity-based transmission tariff calculation methodology is proposed.</p>									
Articles 26(1)(c)(i)(3) 4(3)(a)	<p>[C] The indicative commodity-based transmission tariffs.</p> <p>not applicable</p> <p>As per the proposed RPM, 100% of the regulated revenue will be recovered from the fixed charge. No commodity-based transmission tariff calculation methodology is proposed.</p>									
<p>[9] The complementary revenue recovery charge related to the settlement of revenues: information on commodity-based transmission tariff referred to in Article 4(3).</p>										
Articles 26(1)(c)(i)(1) 4(3)(b)	<p>[A] The manner in which they are set.</p> <p>not applicable</p> <p>The RPM methodology proposed by the Company does not provide for a complementary charge related to the settlement of revenues.</p>									

Articles 26(1)(c)(i)(2) 4(3)(b)	[B] The share of the allowed or target revenue forecasted to be recovered from such tariffs. not applicable The RPM methodology proposed by the Company does not provide for a complementary charge related to the settlement of revenues.
Articles 26(1)(c)(i)(3) 4(3)(b)	[C] The indicative commodity-based transmission tariffs. not applicable The RPM methodology proposed by the Company does not provide for a complementary charge related to the settlement of revenues.
[10] Information on non-transmission services provided to network users.	
Articles 26(1)(c)(ii) (1) 4(1)	[A] Non-transmission service tariff methodology. not applicable The Company does not plan to provide non-transmission services by means of the TGPS network.
Article 26(1)(c)(ii) (2)	[B] The share of the allowed or target revenue forecasted to be recovered from such tariffs. not applicable The Company does not plan to provide non-transmission services by means of the TGPS network.
Article 26(1)(c)(ii)(3) 17(3)	[C] The manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3); not applicable The Company does not plan to provide non-transmission services by means of the TGPS network.
Article 26(1)(c)(ii) (4)	[D] The indicative non-transmission tariffs for non-transmission services provided to network users; not applicable The Company does not plan to provide non-transmission services by means of the TGPS network.
[D] COMPARED TARIFFS AND TARIFF MODEL [ARTICLE 26(1)(D)]	
[11] The indicative information set out in Article 30(2).	
The comparison of transmission tariff is based on reference prices determined according to the price calculation methodology used for 2024 tariff year and the <i>postage stamp methodology</i> proposed for the years 2025-2026.	

Articles 26(1)(d) 30(2)(a)(i)	<p>[A] Comparison between transmission tariffs applicable for:</p> <ul style="list-style-type: none"> ▪ prevailing tariff period; and ▪ the tariff period to which the indicative reference prices, which are the subject of this consultation, relate <p>Explain the difference between the level of transmission tariffs for the same type of transmission service.</p> <p>The table below presents the differences in reference price levels between the tariff approved by the President of the ERO for 2024 and the indicative tariff rates calculated using the <i>postage stamp methodology</i> proposed for application in the years 2025 - 2026.</p> <p>Table 11A</p> <hr/> <p>Comparison of reference prices for year 2024 and indicatice reference prices for year 2025</p> <table border="1"> <thead> <tr> <th></th> <th>Tariff 2024 [gr/kWh/h per h]</th> <th>Indicative tariff rates [gr/kWh/h per h]</th> <th>Difference [%]</th> <th>Difference [gr/kWh/h per h]</th> </tr> </thead> <tbody> <tr> <td colspan="5">ENTRY point</td> </tr> <tr> <td>Mallnow Entry</td> <td>0.5157</td> <td>0.9510</td> <td>84%</td> <td>0.4353</td> </tr> <tr> <td colspan="5">EXIT points</td> </tr> <tr> <td>Point of Interconnection (PWP) Exit</td> <td>0.4916</td> <td>0.8725</td> <td>77%</td> <td>0.3809</td> </tr> <tr> <td>Mallnow Exit</td> <td>0.4916</td> <td>0.8725</td> <td>77%</td> <td>0.3809</td> </tr> </tbody> </table> <p>The main factor affecting the difference between the rates in the 2024 tariff and the indicative rates in the 2025 tariff is the decrease in capacity (transmission capacity) in the annual yearly capacity products auctioned on 3 July 2023 and 17 July 2023.</p> <p>For the calculation of the indicative rates for 2025, the indicative revenue level for 2025 was assumed to be the level of the approved regulated revenue for 2024.</p>		Tariff 2024 [gr/kWh/h per h]	Indicative tariff rates [gr/kWh/h per h]	Difference [%]	Difference [gr/kWh/h per h]	ENTRY point					Mallnow Entry	0.5157	0.9510	84%	0.4353	EXIT points					Point of Interconnection (PWP) Exit	0.4916	0.8725	77%	0.3809	Mallnow Exit	0.4916	0.8725	77%	0.3809
	Tariff 2024 [gr/kWh/h per h]	Indicative tariff rates [gr/kWh/h per h]	Difference [%]	Difference [gr/kWh/h per h]																											
ENTRY point																															
Mallnow Entry	0.5157	0.9510	84%	0.4353																											
EXIT points																															
Point of Interconnection (PWP) Exit	0.4916	0.8725	77%	0.3809																											
Mallnow Exit	0.4916	0.8725	77%	0.3809																											
Articles 26(1)(d) 30(2)(a)(ii)	<p>[B] Comparison between transmission tariffs applicable for:</p> <ul style="list-style-type: none"> ▪ tariff period for which the information is published, and for ▪ each tariff period within the remainder of the regulatory period. <p>not applicable</p> <p>The tariff year shall be equal to the regulatory period.</p>																														
Articles 26(1)(d) 30(2)(b)	<p>[C] A simplified tariff model, updated regularly, accompanied by the explanation of how to use it, enabling network users to calculate the transmission tariffs applicable for the prevailing tariff period and to estimate their possible evolution beyond such tariff period.</p> <p>The Company has developed a simplified tariff model in the form of an Excel file, allowing the calculation of reference prices determined according to the proposed <i>postage stamp methodology</i>, with some of the model's input parameters changed.</p> <p>The simplified model is available at www.gaz-system.pl at the link: https://www.gaz-system.pl/en/for-customers/services-in-the-tgps/tgps-tariff/tar-nc.html</p>																														

Articles 26(1)(d) 30(2)(b)	<p>[D] Explanation of how to use the simplified tariff model.</p> <p>The simplified tariff model is used to simulate reference prices (tariff charge rates at entry to and exit from the TNC TGPS for firm annual products). The default settings correspond to the input data values underlying the calculation of the indicative reference prices presented in this consultation document. The calculation of the change in indicative reference prices can be made by changing:</p> <ul style="list-style-type: none"> ▪ the level of regulated revenue, ▪ the forecasted contracted capacities at individual points in the system (the minimum acceptable capacity is 1 kWh/h). <p>Changes to the calculation parameters are made by entering values in the boxes marked in orange in the appropriate units. To return to the default (indicative) data, click on the "return to indicative data" button.</p>
[E] FIXED PAYABLE PRICE UNDER PRICE CAP REGIME [ARTICLE 26(1)(E)]	
[12] Where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity.	
Article 26(1)(e)(i)	<p>[A] The proposed index.</p> <p>not applicable</p> <p>The proposed <i>postage stamp methodology</i> does not assume a fixed payable price approach as set out in Article 24(b) of the TAR NC.</p>
Article 26(1)(e)(ii)	<p>[B] The proposed calculation.</p> <p>not applicable</p> <p>The proposed <i>postage stamp methodology</i> does not assume a fixed payable price approach as set out in Article 24(b) of the TAR NC.</p>
Article 26(1)(e)(iii)	<p>[C] The proposed manner in which the revenue derived from the risk premium is used.</p> <p>not applicable</p> <p>The proposed <i>postage stamp methodology</i> does not assume a fixed payable price approach as set out in Article 24(b) of the TAR NC.</p>
Article 26(1)(e)(iii)	<p>[D] At which interconnection point(s) such approach is proposed.</p> <p>not applicable</p> <p>The proposed <i>postage stamp methodology</i> does not assume a fixed payable price approach as set out in Article 24(b) of the TAR NC.</p>

<p>Article 26(1)(e)(iii)</p>	<p>[E] For which tariff period(s) such approach is proposed.</p> <hr/> <p>not applicable</p> <p>The proposed <i>postage stamp methodology</i> does not assume a fixed payable price approach as set out in Article 24(b) of the TAR NC.</p>
<p>Article 26(1)(e)(iv)</p>	<p>[F] The process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.</p> <hr/> <p>not applicable</p> <p>The proposed <i>postage stamp methodology</i> does neither assume fixed payable price nor floating payable price approach referred to in Article 24 of the TAR NC.</p>