

Advisory

Entry Exit Model

Project status and data collection phase

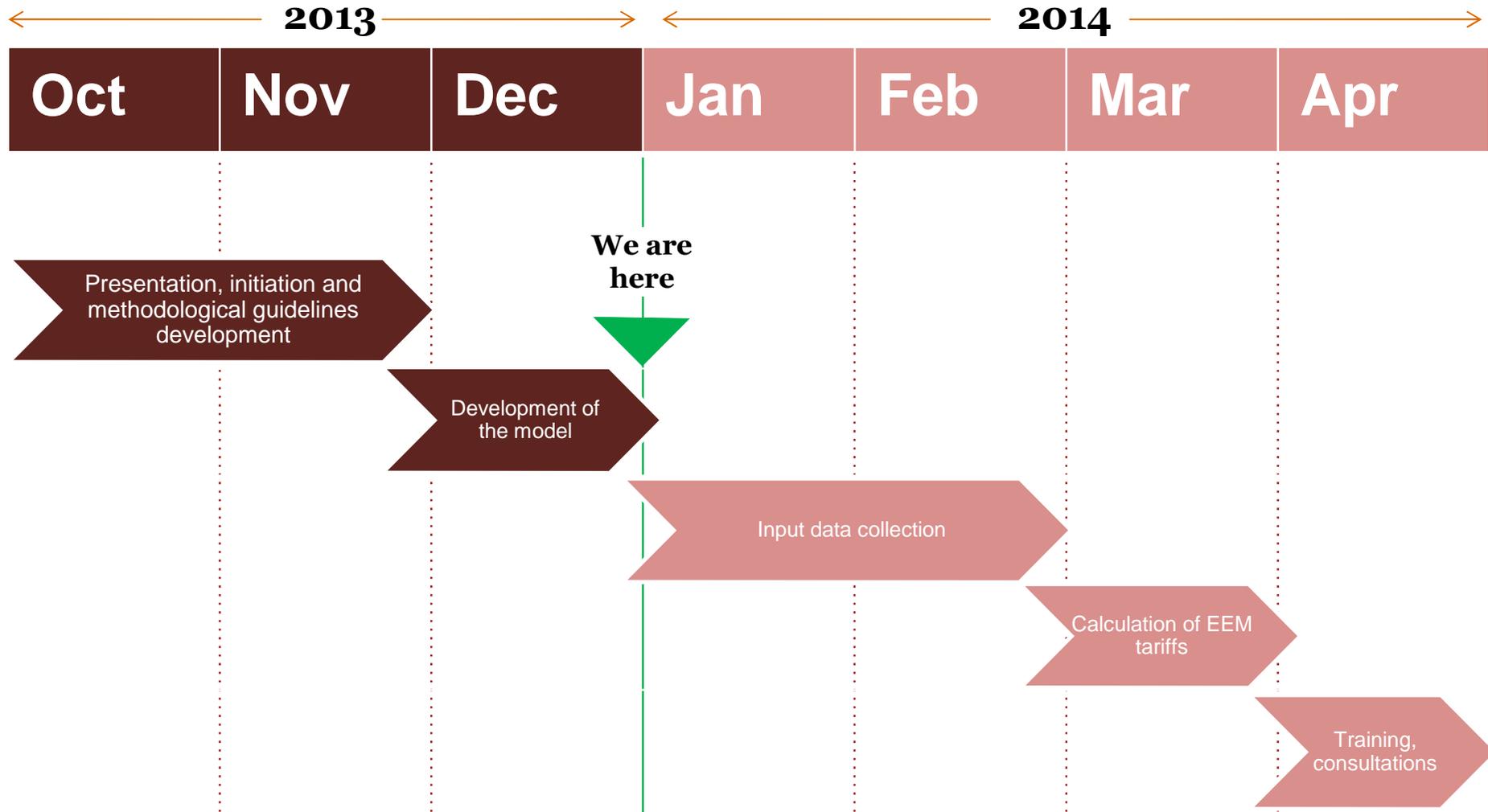
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Draft*

10 January 2014

Agenda

- 1. Project status** – where we are and plan for next steps
- 2. Entry-Exit methodology and model** – overview of key principles
- 3. Data collection phase** – presentation of data requirements

EEM project status



EEM project status

Task



Initial presentation and project initiation



Initial research and data collection



Draft of the EE model guidelines



Draft of the EE model



Public consultations

Status

Done



Done



Done



Done



To be confirmed



Next milestones



Definition of entry and exit points



Definition of gas pipeline segments



Model data collection



EEM calculation

Date

January 2014

January 2014

January – February 2014

March 2014

Model approaches – according to ACER’s Framework guidelines

Framework Guidelines on rules regarding harmonised transmission tariff structures for gas published by ACER in November (FG-2013-G-01)

FG presents **6 recommended methodologies** for derivation of entry-exit tariffs

Key points from FG-2013-G-01:

- **Cost concepts:**
 - Observed costs – historical, replacement
 - Incremental costs – LRAIC, standardised costs of expansion, investment based costs
- **Capacity/commodity split:**
 - Capacity charges preferred
 - Commodity only to recover flow driven costs
 - Charge for other dedicated services (such as metering) up to 5% of total allowed revenues

Model approaches – according to ACER’s Framework guidelines

Framework Guidelines on rules regarding harmonised transmission tariff structures for gas published by ACER in November (FG-2013-G-01)

FG presents **6 recommended methodologies** for derivation of entry-exit tariffs

Key points from FG-2013-G-01:

- **Entry/exit split:**
 - 50:50 split as a general principle
 - Based on allocation methodology (using cost drivers such as distance or capacity)
- **Tariff calculation methodologies:**
 - Postage stamp
 - Capacity-weighted distance approach (2 variants)
 - Virtual point based approach (2 variants)
 - Matrix approach

Suggestions for EEM in Lithuania

Cost concept

Observed costs

Rationale:

Cost concept:

- Incremental costs more appropriate in expanding systems with existing congestions
- According to our research the available capacity in Lithuanian gas transmission network is currently on average 41% of the technical capacity
- Therefore the **observed costs concept** is suggested

Capacity/
commodity
split

TBD

Entry/exit
split

50:50

Tariff
calculation
methodology

*Matrix
approach*

Suggestions for EEM in Lithuania

Cost concept

Observed costs

Rationale:

Capacity/commodity split:

Capacity/
commodity
split

TBD

- Currently the tariff are set both for capacity and commodity component
- **To be discussed and approved** by the Commission if the commodity component should be retained

Entry/exit
split

50:50

Tariff
calculation
methodology

*Matrix
approach*

Suggestions for EEM in Lithuania

Cost concept

Observed costs

Rationale:

Entry/exit split:

- **50:50 split suggested** as a general principle

Capacity/
commodity
split

TBD

Entry/exit
split

50:50

Tariff
calculation
methodology

*Matrix
approach*

Suggestions for EEM in Lithuania

Cost concept

Observed costs

Rationale:

Tariff calculation methodology:

Capacity/
commodity
split

TBD

- Postal stamp approach should only be used where majority of gas flow is dedicated either to cross-border transit or domestic transmission. It is more appropriate to non-meshed networks.

Entry/exit
split

50:50

- Virtual point methodology should be used where a significant geographical node can be identified where all gas flows converge

Tariff
calculation
methodology

Matrix approach

- The choice between capacity-weighted distance approach and matrix approach depends on the granularity of the available input data
- **Matrix approach is suggested** with potential change for capacity-weighted distance approach if data not available in the required quality

Draft of the methodological guidelines

3 parts of the document

Introduction

- Purpose of the document
- Project timeframe
- List of shortcuts

Overview of current situation

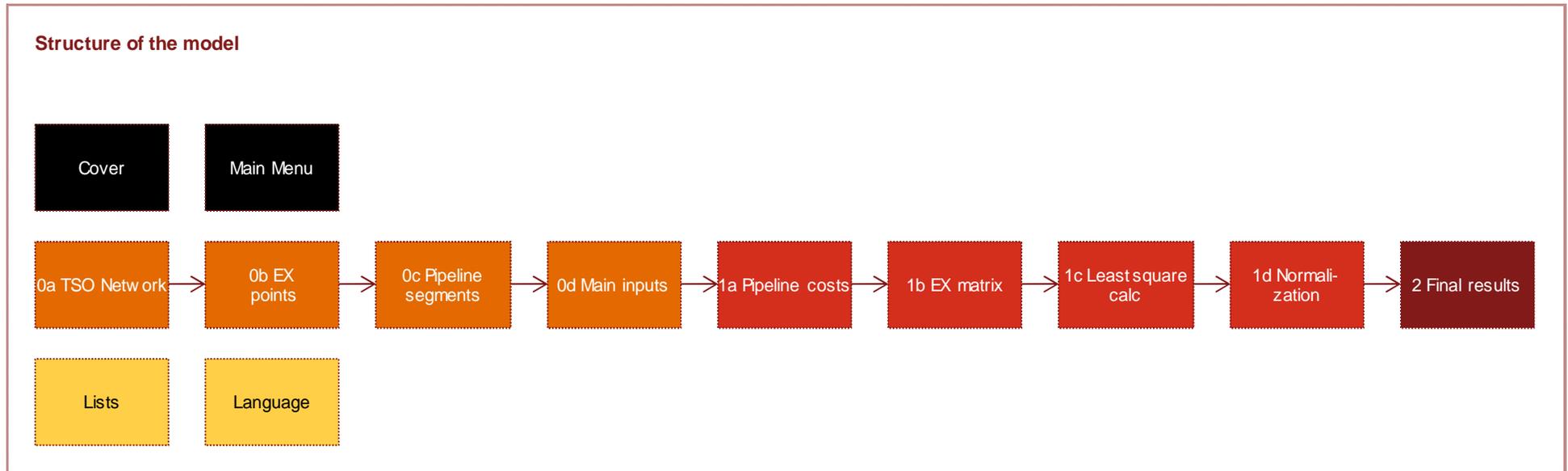
- Market
- Market participants
- Legislation
- Tariffs
- Future developments

Initial methodology

- EU legislation
- Main principles
- Definitions
- Entry-exit methodology
- Data inputs

Draft of the Entry-exit model

Model overview



- Based on the matrix approach
- Defines the data inputs to be collected
- Multi-dimensional – allows setting various parameters (such as E/X split)

Q&A

Thank you for your attention

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