



European Union Agency for the Cooperation
of Energy Regulators

Agency Report

Analysis of the Consultation Document on the Gas Transmission Tariff Structure For Sweden

NRA: Energimarknadsinspektionen
TSO: Swedegas

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Contents

1. ACER conclusion.....	2
2. Introduction.....	5
3. Assessment of the proposed reference price methodology.....	5
3.1 Description of the system.....	6
3.2 Reference price methodology subject to consultation.....	7
3.3 Allowed revenue and regulatory account.....	8
3.4 Conclusions.....	9
4. Completeness.....	10
4.1 Has all the information referred to in Article 26(1) been published?.....	10
5. Compliance.....	10
5.1 Does the RPM comply with the requirements set out in Article 7?.....	10
5.1.1 Transparency.....	10
5.1.2 Cost-reflectivity.....	11
5.1.3 Cross-subsidisation.....	11
5.1.4 Volume risk.....	11
5.1.5 Cross-border trade.....	11
6. Non-transmission tariffs.....	11
Annex 1: Legal framework.....	14
Annex 2: List of abbreviations.....	18

1. ACER conclusion

- (1) The Swedish Transmission System Operator ('TSO') 'Swedegas' has been tasked by the National Regulatory Authority ('NRA') 'Energimarknadsinspektionen' ('Ei') to carry out the consultation process according to Article 26(1) of the Network Code on Harmonised Transmission Tariff Structures for Gas ('NC TAR').
- (2) In the consultation document, Swedegas describes a postage stamp Reference Price Methodology ('RPM') which is based on a 0-100% entry-exit split and a 100% tariff discount at the entries from and exit to storage facilities. No other adjustment to the RPM is proposed.
- (3) In the consultation document Swedegas proposes tariffs for five non-transmission services: 'Pressure reduction service', 'Administrative charge', 'Extra area consumption fee', 'Capacity allocation fee for summer and winter periods', and 'Capacity allocation fee for daily capacity products'. The first two non-transmission services have already been assessed in the 2018 Agency report while the last three have been included by the NRA in the 2018 final decision pursuant to Article 27(3) of the NC TAR following the recommendation made by the Agency in its 2018 report.
- (4) Based on the information provided in the consultation document, and as confirmed to the Agency by both the TSO and the NRA, the consulted RPM and the resulting reference prices are not used as tariffs in the Swedish gas transmission network, instead, the TSO proposes to apply a fixed tariff that is not derived using the consulted RPM. The proposed reference prices of the TSO are consistently lower than the reference prices derived using the consulted methodology and are applied uniformly across domestic exit points.
- (5) The RPM described in the consultation document is referred across this document as the "consulted RPM", while the methodology used to set the reference prices applied in the Swedish gas transmission network is referred as "applied methodology".
- (6) The Agency notes that the TSO consultation is of limited use, as the consulted RPM, including its input parameters (forecasted contracted capacity and allowed revenue), are not used to calculate the reference prices applied in the Swedish gas transmission networks.
- (7) In relation to the consulted RPM, the TSO proposes to recover 89% of the allowed revenue. This decision is explained by the TSO in the consultation as an effort to lower tariffs to incentivize system use and avoid further demand reduction¹. However, this approach has led to an under-recovery over time and raises concerns about whether the TSO costs correspond to those of an efficient and structurally comparable network operator, as required by Article 13 of Regulation (EC) No 715/2009.
- (8) After having completed the analysis of the consultation document under Article 27(3) of the NC TAR, the Agency concludes that the methodology applied to set the actual reference prices for the Swedish transmission network is not the same as the one assessed in the public consultation according to Article 26 of the NC TAR. As a result:

¹ A similar arrangement was proposed in the 2018 consultation.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

- The consultation does not include the information requested in Article 26(1) of the NC TAR since the information provided does not refer to the applied methodology used to derive the reference prices for the Swedish transmission network.
 - The information provided in the consultation document does not allow assessing the compliance of the applied methodology with the requirements under Article 7 of NC TAR and Article 13 of Regulation (EC) No 715/2009.
- (9) The Agency considers that the tariffs for the non-transmission services 'Pressure reduction service' and 'Administrative charge' satisfy the setting criteria of Article 4(4) of the NC TAR since they are cost reflective, non-discriminatory, objective and transparent, and are charged to the beneficiaries of the services.
- (10) The Agency concludes that the information provided in the consultation is not sufficient to assess whether the non-transmission services 'Extra area consumption fee', 'Capacity allocation fee for summer and winter periods', and 'Capacity allocation fee for daily capacity products' satisfy as well the criteria laid down in Article 4(4) of the NC TAR.
- (11) The Agency remarks that the procedure consisting of the final consultation on the reference price methodology, the decision by the national regulatory authority, the calculation of the tariff based on this decision, and the publication of the tariffs shall be repeated at least every five years starting from 31 May 2019 as laid out in Article 27(5) of the NC TAR.
- (12) The Agency invites the NRA to repeat the consultation next year, considering that the previous procedure to set tariff dates back to 2018 and the five-year threshold prescribed in Article 27(5) of the NC TAR has been already exceeded at the time of the publication of this report.
- (13) The Agency recommends that the NRA or the TSO, as decided by the NRA, to carry out a periodic consultation meeting the requirements of Article 26 of the NC TAR, where the proposed RPM is used to derive the reference prices that will be used to set tariffs in the Swedish transmission network, where the allowed revenue is an input parameter of the RPM and is defined through a methodology that fulfils the requirement of Article 13 of Regulation (EC) No 715/2009, namely that it reflects the actual costs incurred by the TSO, insofar as such costs correspond to those of an efficient and structurally comparable network operator.
- (14) The Agency recommends the NRA to provide the missing information on the 'Extra area consumption fee', 'Capacity allocation fee for summer and winter periods', and 'Capacity allocation fee for daily capacity products' non-transmission services in the recommended new periodic consultation pursuant to Article 26 of the NC TAR. In particular, the Agency requests more information on the cost drivers for these non-transmission services as well as the methodologies and the indicative non-transmission tariffs.
- (15) The Agency further recommends that the NRA provides additional justification on the compliance of these three non-transmission services with the requirements laid down in Article 4(4) in the recommended new periodic consultation pursuant to Article 26 of the NC TAR.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

- (16) The Agency underlines that the purpose of the final tariff consultation is to consult on the applied RPM and the parameters that are used to derive the proposed reference prices, as laid out under Article 26(1) of the NC TAR and that the methodology applies to all points of the network, as required by Article 6(3) of the NC TAR.

- (17) Finally, the Agency cannot consider the allowed revenues of the TSO as those of an efficient and structurally comparable network operator if the transparency requirements laid down in Article 30(b)(vi) of the TAR NC are not met. In particular, the information on the yearly under-recovery or over-recovery of the allowed revenue and its allocation to the regulatory account should be published prior to the tariff period, as required by Article 30(1) of the TAR NC, and it should be clarified how the unrecovered revenue is treated.

2. Introduction

- (18) Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas.
- (19) Article 27 of the NC TAR requires the Agency to analyse the consultation documents on the reference price methodologies for all entry-exit systems². This Report presents the analysis of the Agency for the transmission system of Sweden.
- (20) The Swedish TSO has been tasked by the NRA to carry out the consultation process pursuant to Article 26(1) of the NC TAR. The consultation was launched on 8 March and remained open until 8 May. On 11 March, the NRA, forwarded the consultation documents to the Agency. The NRA reported to the Agency that no stakeholder responses have been submitted to the consultation. Within five months following the end of the final consultation, and pursuant to Article 27(4) of the NC TAR, the NRA shall take and publish a motivated decision on all the items set out in Article 26(1).

Reading guide

- (21) In chapter 3, this document first assesses the proposed reference price methodology for Sweden. Chapter 4 provides an analysis on the completeness of the consultation, namely if all the information in Article 26(1) has been published. Chapter 5 focuses on the compliance, namely if the RPM complies with the requirements set out in Article 7 of the NC TAR. Chapter 6 assesses if the criteria for setting non-transmission tariffs as set out in Article 4(4) are met. This document contains two annexes, respectively the legal framework and a list of abbreviations.

3. Assessment of the proposed reference price methodology

- (22) Based on the information provided in the consultation document, and as confirmed to the Agency by both the TSO and the NRA, the consulted RPM and the resulting reference prices are not used as tariffs in the Swedish gas transmission network, instead, the TSO proposes to apply a fixed tariff that is not derived using the consulted RPM. The proposed reference prices of the TSO are consistently lower than the reference prices derived using the consulted methodology and are applied uniformly across domestic exit points. This renders the consulted RPM of little relevance when establishing tariffs for the Swedish transmission network.
- (23) The section additionally refers to the allowed revenue that is an input parameter to the RPM. In the consultation document, the TSO proposes to recover 89% of the allowed revenue³. This decision is explained by the TSO in the consultation as an effort to lower tariffs to incentivize system use and avoid further demand reduction. However, the application of the reference prices derived from the applied RPM results in an allocation of allowed revenue below the proposed cap. In this context,

² With the exception of Article 10(2)(b), when different RPMs may be applied by the TSOs within an entry-exit zone.

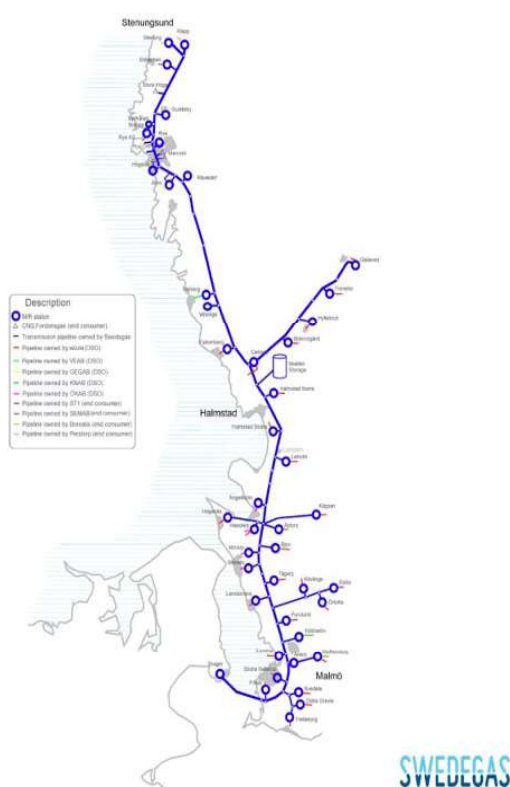
³ A similar arrangement was proposed in the 2018 consultation.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

the TSO has recovered on average 77% of the allowed revenue in the period 2017-2023, leading to a systematic under-recovery for the TSO in the past seven years and which is proposed to be continued in the future. Overall, the approach raises questions whether the allowed revenue corresponds to that of an efficient and structurally comparable network operator, as required by Article 13 of Regulation (EC) No 715/2009.

3.1 Description of the system

- (24) The Swedish gas transmission system is a linear network stretching from south to north, with several lateral branches. A share of 99.5% of the gas injected in the system enters the network from Denmark at the Dragør Interconnection Point ('IP'), serving five distribution system operators connected to the system and seven end consumers directly connected to the network. There are two additional injection points for biomethane within the network.



- (25) The Dragør IP is not bookable on the Swedish exit side and the National Gas Act establishes that booking of capacity shall only occur at the exits of the transmission network. As a result, there will be no entry tariff set for the Dragør point. Since April 2019 Sweden and Denmark have constituted a joint balancing zone.
- (26) The energy crisis triggered by the Russian invasion of Ukraine has impacted the consumption trajectory of Sweden leading to a 30% gas demand reduction, from 8190 GWh in 2021 to 5690 GWh in 2023⁴.
- (27) The previous 2018 tariff consultation foresaw the Gothenburg LNG Terminal to be commissioned in 2020, creating an additional entry point into Sweden. However, the government decided not to

⁴ Information provided to the Agency by the NRA.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

approve the project based on the national climate policy and zero emission target of Sweden. Since the 2018 tariff consultation, the storage facility of Skallen has been brought back into operation.

3.2 Reference price methodology subject to consultation

- (28) In the consultation document, Swedegas describes a postage stamp RPM which is based on a 0-100% entry-exit split and a 100% tariff discount at the entries from and exit to storage facilities. No other adjustment to the RPM is proposed.
- (29) While the consultation document describes an RPM to calculate reference prices, the Agency notes that the TSO proposes to apply different reference prices that are not derived using the consulted RPM. The reference price applicable to the domestic exit points resulting from the consulted methodology for 2025 is 404⁵ SEK/kWh/h/y, while the reference price proposed by the TSO to be applied is 264⁶ SEK/kWh/h/y, less than 65% of the applicable reference price. The proposed reference prices are applied uniformly across the network to domestic exit points.
- (30) The Agency notes that the approach adopted by the TSO renders the consultation of limited use and concludes that the applied methodology that is used to set reference prices for the Swedish transmission network is not assessed in the consultation according to Article 26 of the NC TAR.
- (31) Upon request of the Agency, the TSO provided additional information on the applied methodology. However, the information made available to the Agency was not sufficient to clarify the details of the applied methodology and hence, the applied methodology remains unassessed in the consultation document and in this report.
- (32) The Agency underlines therefore that the purpose of the final tariff consultation is to consult on the applied RPM and the parameters that are used to derive the proposed reference prices, as laid out under Article 26(1) of the NC TAR and in addition, it should be applied to all points of the network, as required by Article 6(3) of the NC TAR. As a consequence, the Agency establishes that the information provided in the consultation document does not allow for assessing the compliance of the applied methodology with the requirements under Article 7 of NC TAR and Article 13 of Regulation (EC) No 715/2009.
- (33) Furthermore, the Agency understands that the same approach, for which the consulted RPM and the resulting reference prices are not used as final tariffs in the Swedish gas transmission network, was carried out by the TSO in 2018 consultation. This critical element remained unnoticed by the Agency's report, at that time, given that the information available during the analysis did not show a discrepancy between the applicable tariffs and the consulted methodology.

⁵ The Agency discovered from the TSO that the forecasted contracted capacity used in the proposed RPM has not been adjusted for the economic value of the short-term product (i.e. the levels of the multipliers and seasonal factors).

⁶ During bilateral interaction the TSO shared with the Agency that the correct proposed reference price for the year 2025 is 296 SEK/kWh/h/y instead of the value 264 SEK/kWh/h/y reported in the consultation.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

3.3 Allowed revenue and regulatory account

- (34) The limited transparency provided in the consultation document over the derivation of the reference prices and the RPM applies also to the allowed revenue used as an input parameter to the consulted RPM.
- (35) First, the consultation does not clarify the share of the allowed revenue that is proposed to be recovered. In the consultation, the TSO proposes to recover only a part of its allowed revenue amounting to 89% of the total revenue. However, the Agency notes that with the reference prices proposed by the TSO, the allocation of the allowed revenue would result in around 80%⁷ of the total allowed revenue.
- (36) Second, the consultation document does not clarify how the non-recovered revenue is treated. The Agency notes that the TSO does not publish the information on the yearly under- or over-recovery of the allowed revenue and the part thereof attributed to the regulatory account that is subject to transparency requirements according to Article 30(b)(vi) of the NC TAR.
- (37) Upon request, the TSO provided to the Agency the details of the actual revenue obtained and the under- or over-recovery values for the period 2017-2023. The resulting yearly revenue recovered has been consistently lower than 80% of the allowed revenue in all years except for 2021.

Table 1 below summarises the actual revenue obtained and under-recovery over time. Source: Swedegas

kSEK	2017	2018	2019	2020	2021	2022	2023
Allowed revenue	515,776	531,746	524,983	529,845	549,901	602,116	559,670
Recovered revenue	381,608	421,906	415,929	395,382	512,968	392,992	427,527
Over/under recovery	-134,168	-109,840	-109,054	-134,463	-36,933	-209,124	-132,143
Investments	19,236	67,273	18,769	10,449	18,523	17,100	34,392
Ratio recovered/ Allowed revenue	74%	79%	79%	75%	93%	65%	76%

- (38) The sustained under-recovery over time raises concerns whether the TSO costs correspond to those of an efficient and structurally comparable network operator, a condition required by Article 13 of Regulation (EC) No 715/2009. The Agency acknowledges that the NRA is in the process of reviewing the allowed revenue methodology applicable to Swedegas⁸ as laid out under Article 41(6)(a) of Directive 2009/73/EC.

⁷ This value has been computed by the Agency using the reference price for 2025 of 264 SEK/kWh/h/y, provided in the consultation document, and the forecasted capacity contracted adjusted for the economic value of the short-term product, provided by the TSO directly to the Agency. The TSO informed the Agency that the actual (applicable) price for 2025 is 296 SEK/kWh/h/y that brings the ratio of the allocated revenue to 87.6% of the total allowed revenue.

⁸ The NRA explained to the Agency that in 2021 attempted to change methodology for the allowed revenue for the regulatory period 2023-2026. Swedegas appealed the new methodology, and Ei decided to revert back to the initial methodology. This choice was motivated by the ruling of the National Administrative court on a similar instance, questioning the legal basis of the NRA to change the allowed revenue methodology. The Agency understands from the NRA that changes in the national law are foreseen to allow the NRA to change the allowed revenue methodology successfully in the future.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

- (39) Finally, the Agency cannot consider the allowed revenues of the TSO as those of an efficient and structurally comparable network operator if the transparency requirements laid down in Article 30(b)(vi) of the TAR NC are not met. In particular, the information on the yearly under-recovery or over-recovery of the allowed revenue and its allocation to the regulatory account should be published prior to the tariff period, as required by Article 30(1) of the TAR NC, and it should be clarified how the unrecovered revenue is treated.

3.4 Conclusions

- (40) The Agency remarks that the procedure consisting of the final consultation on the reference price methodology, the decision by the national regulatory authority, the calculation of the tariff based on this decision, and the publication of the tariffs shall be repeated at least every five years starting from 31 May 2019 as laid out in Article 27(5) of the NC TAR.
- (41) The Agency invites the NRA to repeat the consultation next year, considering that the previous procedure to set tariff dates back to 2018 and the five-year threshold prescribed in Article 27(5) of the NC TAR has been already exceeded at the time of the publication of this report.
- (42) The Agency recommends that the NRA or the TSO, as decided by the NRA, to carry out a periodic consultation meeting the requirements of Article 26 of the NC TAR and fulfilling the requirement of Article 13 of Regulation (EC) No 715/2009 for the allowed revenue to reflect the actual costs incurred by the TSO, insofar as such costs correspond to those of an efficient and structurally comparable network operator.
- (43) For this purpose, the Agency encourages to follow the steps⁹ to establish an RPM and the derived reference prices consistently with the requirements laid down in the NC TAR:
- First, the allowed revenue of the TSO should be established based on an NRA decision, according to Article 41(6)(a) of the Directive 2009/73/EC.
 - Second, the consultation should establish the allowed revenue to be recovered using transmission tariffs. Should the consultation propose not to recover the allowed revenue in full, it should provide transparency on how the resulting deficit will be treated, including, by explaining the use of the regulatory account.
 - Third, the consultation should establish the cost drivers of the methodology. The consultation should explain how these parameters are calculated justifying the values and the assumptions used for this purpose, as required by Article 26(1)(a) of the NC TAR. In the case of a postage stamp methodology, the cost driver is the technical capacity or forecasted contracted capacity. The Agency notes, that the forecasted contracted capacity should include the capacity for short-term products weighted to their economic value (i.e. multipliers and seasonal factors applied).
 - Fourth, the consultation should explain how reference prices are derived using the RPM, enabling network users to reproduce the calculation and their accurate forecast as laid down in Article 7(a) of the NC TAR.

⁹ For additional information, the Agency refers to [ENTSOG's implementation document](#).

4. Completeness

4.1 Has all the information referred to in Article 26(1) been published?

- (44) Article 27(2)(a) of the NC TAR requires the Agency to analyse whether all the information referred to in Article 26(1) of the NC TAR has been published.
- (45) Article 26(1) of the NC TAR requires that the consultation document should be published in the English language, to the extent possible. The Agency remarks that the consultation document has been published in English.
- (46) The Agency concludes that the consultation does not include the information listed in Article 26(1) of the NC TAR since the information provided does not refer to the applied methodology.

5. Compliance

5.1 Does the RPM comply with the requirements set out in Article 7?

- (47) Article 27(2)(b)(1) of the NC TAR requires the Agency to analyse whether the proposed reference price methodology complies with the requirements set out in Article 7 of the NC TAR. This article refers to Article 13 of Regulation (EC) 715/2009 and lists a number of requirements to take into account when setting the RPM. As these overlap, in the remainder of this chapter, the Agency will take a closer look at the five elements listed in Article 7 of the NC TAR.
- (48) The Agency cannot complete this assessment as the consulted RPM is not used to derive the reference prices to be applied in the Swedish network. At the same time, the TSO does not describe in the consultation the applied methodology used to calculate the proposed reference prices.

5.1.1 Transparency

- (49) **Article 7(a)** of the NC TAR requires that the RPM aims at ensuring that network users can reproduce the calculation of reference prices and their accurate forecast.
- (50) The consultation document does not provide the basic requirements for understanding the tariff-setting methodology as there is no clear connection between the consulted RPM and the proposed reference prices applied to the Swedish transmission network.
- (51) The Agency concludes that the consultation and, overall, the tariff structure are incompliant with the transparency requirement of providing visibility over the principles for the calculation of reference prices, in particular, to reproduce and forecast reference prices accurately as laid out in Article 7(a) of NC TAR.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

5.1.2 Cost-reflectivity

- (52) **Article 7(b)** of the NC TAR requires the RPM to consider the actual costs incurred for the provision of transmission services, considering the level of complexity of the transmission network and the technical characteristics of the transmission system.
- (53) The Agency cannot complete the assessment on the compliance of the applied methodology with the principles of cost-reflectivity since the applied methodology and the related input parameters are not included in the consultation.

5.1.3 Cross-subsidisation

- (54) **Article 7(c)** of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation.
- (55) For this analysis, the Agency defines 'cross subsidisation' as a derivation from cost-reflectivity, whereby users of the entry-exit system are allocated tariffs that differ from the costs they cause to the system.
- (56) The Agency cannot complete the compliance assessment for cross-subsidisation, absent completion of the cost-reflectivity assessment, referred in Section 5.1.2.

5.1.4 Volume risk

- (57) **Article 7(d)** of the NC TAR requires that the RPM ensures that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system. In Sweden, there is no transit of gas through the entry-exit system to neighbouring countries, consequently, there is no volume risk.

5.1.5 Cross-border trade

- (58) **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade. In Sweden, there is no transit of gas through the entry-exit system to neighbouring countries, therefore cross-border trade cannot be distorted.

6. Non-transmission tariffs

- (59) Article 27(2)(b)(3) of the NC TAR requires the Agency to analyse whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.
- (60) In the consultation document Swedegas proposes tariffs for five non-transmission services:
- Pressure reduction service,
 - Administrative charge,
 - Extra area consumption fee,
 - Capacity allocation fee for summer and winter periods,
 - Capacity allocation fee for daily capacity products.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

- (61) The share of allowed revenue forecasted to be recovered from non-transmission tariffs is expected to be 10%. No information on the amount to be recovered per service has been provided in the consultation document. There is no separate regulatory account for the non-transmission tariffs and the reconciliation follows the approach adopted for the transmission tariffs.
- (62) For the first two non-transmission services ('Pressure reduction service' and 'Administrative charge'), that the Agency has already analysed in its previous report, the Agency repeats its assessment:
- The costs of both services are not caused by capacity and distance and can therefore be attributed to non-transmission tariffs.
 - The tariff for the pressure reduction service covers the costs for providing lower pressure (compared to the pressure in the transmission network) to network users. Network users pay for the service depending on the number of pressure reduction steps needed.
 - The administrative charge is charged to all transmission customers in proportion to the number of connection points and reflects the administrative work required at each connection point.
 - Swedegas describes clearly and transparently what drives the cost of both non-transmission services in the consultation document as well as the indicative non-transmission tariff-formulas.
 - The Agency considers that both non-transmission services comply with the criteria of Article 4(4)(a) since they are charged in a cost-reflective, non-discriminatory, objective and transparent way.
 - The Agency considers that both non-transmission services satisfy the criteria of Article 4(4)(b) since they are charged to the beneficiaries of the services and do not create subsidies between network users within or outside Sweden.
- (63) Following the recommendation included in 2018 ACER report the NRA added three additional services to the list of non-transmission services in its 2018 final decision according to Article 27(4) of the NC TAR ('Extra capacity area', 'Capacity allocation fee for summer and winter periods', and 'Capacity allocation fee for daily capacity products'). These non-transmission services have been also proposed by the TSO in its 2024 consultation.
- (64) Based on the consultation document, the Agency understands that distance is not a cost driver for these services therefore they can be priced as non-transmission tariffs. However, the Agency notes that in the consultation document, there is limited information on the cost drivers for these non-transmission services as well as the methodologies setting these non-transmission tariffs.
- (65) The Agency concludes that the information provided in the consultation is not sufficient to assess whether these three non-transmission services satisfy the criteria laid down in Article 4(4)(a), namely to be charged in a cost-reflective, non-discriminatory, objective and transparent way. For the same reason, the criteria laid down in Article 4(4)(b) namely to be charged to the beneficiaries of the services cannot be assessed.
- (66) The Agency recommends the NRA to provide the missing information on these three non-transmission services in the recommended new periodic consultation pursuant to Article 26 of the NC TAR. In particular, more information is required on the cost drivers for these non-transmission services as well as the methodologies and the indicative non-transmission tariffs.

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

- (67) The Agency further recommends that the NRA provides additional justification on the compliance of these three non-transmission services with the requirements laid down in Article 4(4) in the recommended new periodic consultation pursuant to Article 26 of the NC TAR.

Annex 1: Legal framework

(68) Article 27 of the NC TAR reads:

1. *Upon launching the final consultation pursuant to Article 26 prior to the decision referred to in Article 27(4), the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority, shall forward the consultation documents to the Agency.*

2. *The Agency shall analyse the following aspects of the consultation document:*

(a) whether all the information referred to in Article 26(1) has been published;

(b) whether the elements consulted on in accordance with Article 26 comply with the following requirements:

(1) whether the proposed reference price methodology complies with the requirements set out in Article 7;

(2) whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met;

(3) whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.

3. *Within two months following the end of the consultation referred to in paragraph 1, the Agency shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document, and the Commission the conclusion of its analysis in accordance with paragraph 2 in English.*

The Agency shall preserve the confidentiality of any commercially sensitive information.

4. *Within five months following the end of the final consultation, the national regulatory authority, acting in accordance with Article 41(6)(a) of Directive 2009/73/EC, shall take and publish a motivated decision on all items set out in Article 26(1). Upon publication, the national regulatory authority shall send to the Agency and the Commission its decision.*

5. *The procedure consisting of the final consultation on the reference price methodology in accordance with Article 26, the decision by the national regulatory authority in accordance with paragraph 4, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII may be initiated as from the entry into force of this Regulation and shall be concluded no later than 31 May 2019. The requirements set out in Chapters II, III and IV shall be taken into account in this procedure. The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2019.*

(69) Article 26(1) of the NC TAR reads:

1. *One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:*

(a) the description of the proposed reference price methodology as well as the following items:

(i) the indicative information set out in Article 30(1)(a), including:

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

- (1) *the justification of the parameters used that are related to the technical characteristics of the system;*
 - (2) *the corresponding information on the respective values of such parameters and the assumptions applied.*
- (ii) the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;*
- (iii) the indicative reference prices subject to consultation;*
- (iv) the results, the components and the details of these components for the cost allocation assessments set out in Article 5;*
- (v) the assessment of the proposed reference price methodology in accordance with Article 7;*
- (vi) where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii);*
- (b) the indicative information set out in Article 30(1)(b)(i), (iv), (v);*
- (c) the following information on transmission and non-transmission tariffs:*
 - (i) where commodity-based transmission tariffs referred to in Article 4(3) are proposed:*
 - (1) the manner in which they are set;*
 - (2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;*
 - (3) the indicative commodity-based transmission tariffs;*
 - (ii) where non-transmission services provided to network users are proposed:*
 - (1) the non-transmission service tariff methodology therefor;*
 - (2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;*
 - (3) the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);*
 - (4) the indicative non-transmission tariffs for non-transmission services provided to network users;*
- (d) the indicative information set out in Article 30(2);*
- (e) 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:*
 - (i) the proposed index;*
 - (ii) the proposed calculation and how the revenue derived from the risk premium is used;*
 - (iii) at which interconnection point(s) and for which tariff period(s) such approach is proposed;*
 - (iv) the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.*

(70) Article 7 of the NC TAR reads:

The reference price methodology shall comply with Article 13 of Regulation (EC) No 715/2009 and with the following requirements. It shall aim at:

- a) enabling network users to reproduce the calculation of reference prices and their accurate forecast;*
- (b) taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;*
- (c) ensuring non-discrimination and prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5;*

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

(d) ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;

(e) ensuring that the resulting reference prices do not distort cross-border trade.

(71) Article 13 of Regulation (EC) No 715/2009 reads:

1. Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(1) of that Directive, shall be transparent, take into account the need for system integrity and its improvement and reflect the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including an appropriate return on investments, and, where appropriate, taking account of the benchmarking of tariffs by the regulatory authorities. Tariffs, or the methodologies used to calculate them, shall be applied in a nondiscriminatory manner.

Member States may decide that tariffs may also be determined through market-based arrangements, such as auctions, provided that such arrangements and the revenues arising therefrom are approved by the regulatory authority.

Tariffs, or the methodologies used to calculate them, shall facilitate efficient gas trade and competition, while at the same time avoiding cross-subsidies between network users and providing incentives for investment and maintaining or creating interoperability for transmission networks.

Tariffs for network users shall be non-discriminatory and set separately for every entry point into or exit point out of the transmission system. Cost-allocation mechanisms and rate setting methodology regarding entry points and exit points shall be approved by the national regulatory authorities. By 3 September 2011, the Member States shall ensure that, after a transitional period, network charges shall not be calculated on the basis of contract paths.

2. Tariffs for network access shall neither restrict market liquidity nor distort trade across borders of different transmission systems. Where differences in tariff structures or balancing mechanisms would hamper trade across transmission systems, and notwithstanding Article 41(6) of Directive 2009/73/EC, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles, including in relation to balancing.

(72) Article 4(3) of the NC TAR reads:

3. The transmission services revenue shall be recovered by capacity-based transmission tariffs. As an exception, subject to the approval of the national regulatory authority, a part of the transmission services revenue may be recovered only by the following commodity-based transmission tariffs which are set separately from each other:

(a) a flow-based charge, which shall comply with all of the following criteria:

- (i) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;*
- (ii) calculated on the basis of forecasted or historical flows, or both, and set in such a way that it is the same at all entry points and the same at all exit points;*
- (iii) expressed in monetary terms or in kind.*

(b) a complementary revenue recovery charge, which shall comply with all of the following criteria:

- (i) levied for the purpose of managing revenue under- and over-recovery;*
- (ii) calculated on the basis of forecasted or historical capacity allocations and flows, or both;*

ACER ANALYSIS OF THE CONSULTATION DOCUMENT ON THE GAS TRANSMISSION TARIFF STRUCTURE FOR SWEDEN

(iii) applied at points other than interconnection points;

(iv) applied after the national regulatory authority has made an assessment of its cost-reflectivity and its impact on cross-subsidisation between interconnection points and points other than interconnection points.

(73) Article 4(4) of the NC TAR reads:

4. The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given nontransmission service. Such tariffs shall be as follows:

(a) cost-reflective, non-discriminatory, objective and transparent;

(b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both.

Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.

Annex 2: List of abbreviations

Acronym	Definition
ACER	Agency for the Cooperation of Energy Regulators
ENTSOG	European Network of Transmission System Operators for Gas
NRA	National Regulatory Authority
TSO	Transmission System Operator
EC	European Commission
EU	European Union
MS	Member State
NC TAR	Network code on harmonised transmission tariff structures for gas
IP	Interconnection Point
VIP	Virtual Interconnection Point
RPM	Reference Price Methodology
CWD	Capacity Weighted Distance
CAA	Cost Allocation Assessment
RAB	Regulated Asset Base
OPEX	Operational Expenditures
CAPEX	Capital Expenditures
Ei	Energimarknadsinspektionen