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**EXECUTIVE SUMMARY**

8. april 2019  
Engros & Transmission  
18/20253

# Tariff Methodology for the Danish Transmissions System – NC TAR Approval

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## SUMMARY OF THE DECISION

In this case, The Danish Regulatory Authority (DUR) is to make a decision in relation to a tariff methodology proposal submitted to DUR by the Danish Gas TSO, Energinet, in December 2018. The background for the methodology submission is the fact that all EU Member States have to approve national tariff regimes in respect of NC TAR (EC REGULATION (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas) by 31 May 2019 at the latest.

The Danish tariff methodology will apply from 1 October 2019 – coinciding with the beginning of a quite extraordinary period for the Danish gas system/market where the gas flows will shift direction and where gas quantities will increase due to significant transit volumes. The background for this is partly the shutdown from October 2019 of the major Danish upstream gas hub, Tyra, for restructuring, and partly the introduction of the a new major infrastructure project, the Baltic Pipe Project, which can transport up to 10 bcm/year from the Norwegian upstream infrastructure through Denmark and to Poland. Baltic Pipe is expected to be ready to transport gas from October 2022.

The main elements of the tariff methodology proposal submitted to DUR are:

- A uniform allocation of capacity tariffs across the Danish transmission system – i.e. uniform tariffs in all entry points and exit points of the system
- A split of the transmission tariff in a capacity share and volume share that reflects Energinet's capital costs (capex) and operational costs (opex) – with a cap on the volume share of 40%.
- A 100% discount on transmission tariffs to/from the virtual storage point.
- A discount (multiplier) of 5 to 10% on capacity contracts with a duration of 5 years or more – increasing with the length of the contract.

Additionally, the submitted methodology maintains the present short-term multipliers for capacity products below 1 year, and it maintains the present non-transmission tariffs of which the most important one is the tariff for security of supply. This tariff is a PSO tariff paid by Danish consumers to Energinet.

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Energinet has discussed the draft methodology proposal with the market and has submitted the proposal to public consultations – most recently in the “Final Consultation Document” where the entire methodology proposal was published in line with the process envisaged by NC TAR. The market players have generally expressed full support for the Danish tariff methodology proposal.

A main requirement of NC TAR is that transmission tariffs shall be capacity based and that a RPM (Reference Price Methodology) should be set that allocates capacity tariffs across the individual entry points and exit points of the transmission system. Further, NC TAR describes a basic RPM: The Capacity Weighted Distance methodology (CWD). The CWD allocates costs across the individual entry points and exit points taking into account both distance and the share of expected capacity reservations. If the proposed national tariff methodology is different from the CWD then it should at least be compared to the CWD. The chosen RPM shall also be assessed in terms of cross-subsidization between domestic gas transport and cross-system transport (transit) in a so-called Cost Allocation Assessment (CAA). NC TAR also requires that a minimum discount of 50% on capacity tariffs to/from storage points shall apply, and that a possible volume tariff (based on actual gas flows) shall be the same in all entry points and exit points.

According to NC TAR, ACER has to analyze the national tariff methodology proposal and issue a non-binding report with the findings of its analysis. In its analysis of the Danish proposal, ACER recognizes that a uniform tariff methodology is in theory a robust methodology as stated in the tariff proposal, but ACER also finds that it should be better explained why a uniform RPM could be considered to be more robust than a CWD model. ACER also finds that DUR should analyze the degree of potential cross-subsidization of the various RPM methodologies.

ACER recommends that DUR examine if there is a strong correlation between operational costs (OPEX) and actual gas flows and – if this is not the case – then DUR should reduce the volume-based tariff. ACER points to the fact that the same volume-based tariff should be set for all exit points, including the exit point from storage, and ACER recommends that DUR examine if Energinet's non-transmission tariffs (e.g. tariffs for emergency supplies) are in accordance with NC TAR.

Finally, ACER recommends that the national regulator (DUR) set a fixed regulatory period for which the Danish tariff methodology shall apply.

**The uniform RPM:** Energinet argues that the uniform tariff methodology is robust towards changes in flow quantities and flow patterns and that uniform tariffs give more transparent price signals compared to the CWD. Energinet also points out that distance is not an important cost driver in the Danish transmission system, and that all users benefit from the Baltic Pipe Project as the significantly increased gas flows resulting from BP will reduce the general tariff level of the transmission system. Also, it is fair that both costs and benefits (lower tariffs) are shared equally between new and existing shippers through uniform capacity tariffs. Energinet also argues that uniform tariffs will help improve gas trade and competition in the gas market.

Energinet has made calculations as to how tariffs would develop in a CWD scenario. Tariffs would then result in a relatively high degree of tariff differentiation between the individual tariff points of the system. Energinet has also calculated CAA values for the uniform tariff methodology and the CWD methodology, and the results show that uniform capacity tariffs generally result in a lower degree of cross-subsidization between domestic shippers and cross-system shippers. According to Energinet, the uniform methodology is more robust towards changes in flow patterns and changes in the cost base of Energinet after the Tyra rebuild period and the start of gas transportation through the Baltic Pipe line.

**Capacity and volume split – and volume tariff:** Energinet has submitted a proposal for a transmission tariff that consist of a capacity share and a volume share where the split between the respective shares reflects Energinet's capital costs (capex) and operational costs (opex) – with a cap of 40% on the volume share. Energinet's volume tariff is based on expected future gas quantities in the system, and it is paid at exit points. Energinet finds that a relatively high share of volume-based tariffs supports a flexible use of the system and the development of bio-methane and the green transition in general. Energinet points out that there is no capacity bottlenecks in the Danish transmission system, which could be an argument for setting a higher capacity tariff. The direct variable OPEX of the system is today approx. 8%, but the present data quality makes it difficult to calculate the variable costs of Energinet in a precise manner. The variable OPEX is likely to be higher than 8%. In addition, calculations show that shippers with different load factors are affected differently by the capacity and volume split, and a different split will have redistributive effects between various shipper groups. In Energinet's view, the chosen tariff structure should support a broad and diversified use of the system and support various types of users and consumers. Overall, Energinet recommends that the present split be maintained at least during the Tyra rebuild period, which would also allow Energinet to have a dialogue with the market participants on what would be the effect of a higher capacity tariff on the functioning of the market.

**A 100% discount on transmission tariffs to/from storage:** Energinet argues that efficient access to storage is very important and that historically Energinet has never set transmission tariffs to/from the two Danish storages. The virtual storage point in the Danish market model is considered an internal system point. If Energinet were to set a volume tariff for gas transportation to/from the storage point then this would mean that the shippers pay tariffs twice for the same gas volume. Energinet draws attention to the fact that the two Danish storages are becoming increasingly important in terms of system balancing, but especially during the Tyra rebuild period the storages will be vital to ensure security of supply in Denmark. In addition, CAA sensitivity calculations show that the introduction of a volume-based tariff to/from storage would lead to cross-subsidization between domestic shippers and cross-system shippers – to the benefit of cross-system shippers.

**Short-term and long-term multipliers:** Energinet proposes to apply both short-term multipliers and long-term multipliers. Energinet has applied short-term multipliers for short-term capacity products (< 1 year) since 2016 with the purpose of

promoting short-term gas trade and maintaining long-term price signals. The purpose of the proposed multiplier on long-term capacity contracts (a discount of 5-10% on capacity contracts with a duration of 5 years or more) is to reflect the fact that shippers with long-term capacity bookings incur a larger risk while at the same time providing certainty for Energinet's tariff income. The proposed multiplier applies to all capacity contract for a duration of 5 years or more, including capacity contracts awarded in the Open Season 2017 for the Baltic Pipe Project. Energinet also proposes to extend Open Season 2009 capacity bookings by one year to allow shippers who hold OS 2009 contracts to have a discount for a five-year contract.

**Non-transmission tariffs:** Energinet has checked whether it is still relevant to charge various minor tariffs/fees that appear from Energinet's price sheet - some of which seem to be zero. Energinet has done this at the recommendation of ACER and the request of DUR. Following this check, Energinet has removed several fees from the price sheet, and Energinet now only levies the so-called "emergency supply tariff" as a non-transmission tariff. Energinet levies the emergency supply tariff on all Danish consumers, and the tariff comprises Energinet's costs for fulfilling its security of supply obligation.

#### **Additional data and sensitivity analysis from Energinet**

DUR has asked Energinet to provide more sensitivity analysis and explanations on a number of subjects of the Public Consultation Document. This was also a recommendation from ACER.

The additional analysis data and calculations from Energinet show that changes to the various tariff methodology assumptions tend to result in higher tariff variations over time with the CWD method than with the uniform tariff method. Changes to the entry/exit split show that when the induced split from the uniform tariff methodology is applied to the CWD methodology then the CAA of the CWD methodology will fall. However, no variations are so significant that they change the overall picture.

Energinet's additional sensitivity analysis on storage shows that the CAA result is sensitive to changes in tariff methodology assumptions. Calculations show that if 10 per cent of the total Danish storage capacity is used for domestic transport then neither the CWD nor the uniform tariff methodology will pass the CAA test in the period before the Baltic Pipe Project starts operations whereas both methodologies will pass the CAA test after the Baltic Pipe Project starts operations.

#### **THE MOTIVATION FOR DUR'S DECISION**

DUR has reviewed Energinet's proposed tariff methodology and assessed whether it complies with NC TAR and the European Gas Regulation.

In relation to the **RPM (uniform tariffs)**, DUR finds that the submitted RPM methodology complies with NC TAR. DUR finds that uniform tariffs are robust toward changes in flow patterns and flow direction and that the methodology is transparent and easy to understand/apply for the shippers. RPM reflects system costs, and

DUR is of the opinion that a complex tariff methodology should not be introduced because the Danish transmission system is not a complex system. DUR finds that a simple methodology will make access to the Danish gas market easier and easier to use. Compared to the CWD methodology the proposed RPM with uniform tariffs is more robust, and it will especially provide more tariff stability during the coming regulatory period, which will see major changes in gas flows and system use.

DUR finds that a number of factors speak in favor of not taking distance into account when setting tariffs for the Danish transmission system. The Danish system was seen and built as one comprehensive system, and the depreciation period for the system was later extended as a whole; there is plenty of capacity in the Danish system and the use of compressors and metering stations does not depend on distance. DUR finds that the costs of the Baltic Pipe Project should be born evenly by all shippers (domestic and cross-system) as this will help ensure that both costs and benefits of the Baltic Pipe are shared. In relation to the volume risk of the Baltic Pipe Project on domestic shippers it is important to evaluate the relationship between risks and benefits in terms of reduced tariffs for all existing shippers due to substantial new gas flows through the Danish transmission system. DUR has made this evaluation in e.g. its formal decision on the economic test for the Baltic Pipe Project (i.e. approving the economic test parameters and setting the so-called F-factor for the project). DUR also points to the fact that there are ways of limiting the risks associated with the project if the Baltic Pipe route is used less than expected in the future which, however, DUR has no reason to believe will be the case. Overall, DUR finds that the domestic shippers (consumers) are safeguarded against the inherent risks of the Baltic Pipe Project. Finally, DUR finds that a uniform tariff methodology will ensure that differences in tariff levels do not become an element that could impede competition in the Danish gas market.

Concerning **the volume/capacity split and volume tariffs**, DUR finds that the wording of NC TAR (Article 4(3)) on the possibility of having a flow-based charge (volume tariff) levied for the purpose of covering the costs mainly driven by the quantity of gas flows allows to include other costs than pure gas flow costs in a volume tariff. The costs strictly related to the quantity of gas flows in the Danish system are approx. 8% at present, but 8% is the lowest possible figure and a very conservative one – according to Energinet. DUR is of the opinion that the split between the capacity share and the volume share of the transmission tariff could be in the interval 90/10-85/15 as a starting point – and still be in line with Article 4(3) of NC TAR.

It is not clear how the shippers and the wholesale market would react to a significantly higher capacity tariff, and it is therefore also not clear what effect it would have on the market functioning. However, it is clear that the effect will be different in the Tyra rebuild period from what it will be after the Tyra rebuild period. DUR finds that it would pose an unacceptable risk to the functioning of the Danish gas market if the split was changed dramatically (90/10 or 85/15) at the same time as a very exceptional and uncertain period for the Danish market is about to start. However, DUR finds that the capacity/volume split needs to be reduced to better align the Danish tariff structure to the requirements of NC TAR as the gap be-

tween the proposed 40% cap on the volume share and the documented costs for transporting the gas is too high. DUR finds that the necessary changes to the capacity/volume split need to take place gradually because of the exceptional circumstances of the Danish gas system for the next regulatory period (Tyra shutdown).

DUR also finds that a gradual implementation of Article 4(3) of NC TAR can be justified with reference to the Gas Regulation which is the legal basis for NC TAR. The Gas Regulation states that the objective of the Regulation is “setting non-discriminatory rules for access conditions to natural gas transmission systems taking into account the special characteristics of national and regional markets with a view to ensuring the proper functioning of the internal market in gas”, cf. Article 1(a) of the Regulation. It is also stated that it is an objective of the Regulation to “facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in gas (...)”, cf. Article 1(c). According to the Regulation, the objectives shall also include the setting of harmonised principles for tariffs, or the methodologies underlying their calculation, for access to the network (...)”, cf. Article 1.

DUR finds that the capacity/volume split can discretionarily be set at 70/30 for the next regulatory period covering the period from 1 October 2019 to 1 October 2022. This split represents a significant reduction (about 18%) from the present split of 52/48. A split of 70/30 takes account of the vulnerable supply situation for both the Danish and the Swedish gas markets and the uncertainty about the market would react to a significant change of the framework conditions for the market. DUR also finds that the fact that the Tyra rebuild period is limited to three years is an argument in itself speaking in favor of setting a discretionary capacity/volume split for a regulatory period of the same length (three years) that does not fully meet all requirements of NC TAR.

The next regulatory period will cover a post-Tyra period where the market uncertainty and the vulnerable security of supply situation will no longer be relevant factors. DUR therefore looks forward to receiving a methodology submission for the next regulatory period with a proposed volume share that more precisely reflects the costs driven by the quantity of gas flow through the system. Further, DUR awaits to receive more consolidated and comprehensive data from Energinet on the costs directly driven by the quantity of gas flows as part of the next methodology submission. DUR also expects Energinet to make an assessment as national TSO – as part of the methodology submission – of the expected impact on the market functioning of the proposed split, cf. the objective in the Gas Regulation that national tariff systems shall help secure well-functioning wholesale markets (Articles 1 and 13).

Finally, DUR is of the opinion that there could be valid reasons for having a level of flow-based tariffs that includes a certain “margin” to promote the green transition and the coupling of the electricity and gas sectors. Sustainable energy forms like bio-methane and wind power typically have an uneven production profile where a very high capacity tariff could slow down the necessary green transition and an effective sector coupling between electricity and gas.

Concerning the **100% discount on tariffs to/from storage**, DUR finds that it is within the scope of NC TAR to offer a discount on both the volume tariff and the capacity tariff. A discount on the overall tariff is fully in line with the purpose of the discount – namely to acknowledge the general contribution to system flexibility and security of supply of such infrastructure. Discounts on volume tariffs may serve the purpose of the rule as well as discounts on capacity tariffs, and the fact that flow-based charges (volume tariffs) are not explicitly mentioned in Article 9 of NC TAR does not necessarily mean that a discount on such tariffs (where they are applied) is not in line with NC TAR. Article 9 must be interpreted as a minimum requirement. Concerning the requirement that shippers should pay the same flow-based charge at all entry points and exit points, DUR is of the opinion that it would be contradictory to approve a certain discount (the 100% discount) in acknowledgement of the contribution of the storages to system flexibility and security of supply and then introduce a new tariff element in the Danish tariff methodology (a volume tariff to/from storages) to fulfill a legal requirement of NC TAR (that does not relate to storage tariffs) that possible flow-based charges should be the same at all entry points and all exit points, including entry/exit points to/from storages. This cannot have been the intention of the lawmakers.

In addition, the introduction of a volume tariff at the exit point from the virtual storage point would mean that the CAA test exceeds the allowed level for cross-subsidization. DUR notices that the two Danish storages do not add costs to the transmission system but, on the contrary, they help reduce transmission costs via their contribution to system flexibility and security of supply. Finally, the two storages are an integral part of the system, and historically shippers have not paid transmission tariffs to/from storage since the market liberalization in 2004.

Therefore, DUR is of the opinion that it is in line with the purpose of the gas Regulation (Article 1) and in line with NC TAR (Article 4(3), Article 9(1) and consideration 4) that a discount of 100% be applied to capacity and volume tariffs to/from the virtual Danish storage point.

Concerning the proposed **multipliers on short-term capacity products**, DUR takes notice of the fact that the proposed multipliers are within the allowed range, cf. Article 13(1) of NC TAR. DUR is of the opinion that it is important that Energinet can offer both attractive short-term capacity products and attractive yearly products to the market, and that the level of multipliers should reflect the actual conditions of the system, whether there are capacity constraints in the system and the level of multipliers in adjacent systems.

DUR therefore approves the proposed level of multipliers for short-term capacity products.

Concerning the fact that there are **no seasonal factors** in the proposed tariff methodology, DUR finds that the argument to be valid that there is no need for seasonal factors (multipliers) in a transmission system with no capacity constraints.

Concerning the proposed **multipliers on long-term capacity contracts**, DUR finds that there can be valid arguments for offering a discount on the tariffs for long-term capacity contracts. Long-term capacity contracts provide an investment signal to the relevant TSO by guaranteeing a stable and long-term revenue to the TSO. At the same time, such a discount incentivizes the shippers to enter into long-term contracts with the TSO even if they thereby accept to have less flexibility and more risks compared to other shippers who are able to buy and use capacity in response to the short-term price signals in the market.

However, DUR notices that the proposed multiplier (discount) is in reality relevant for the shippers who have already concluded long-term contracts in Energinet's Open Season processes – and especially the shippers who have concluded long-term contracts in the Baltic Pipe Project via Open Season 2017. Open Season 2017 was conditional in the sense that shippers were required to place binding long-term offers (15 years) for the majority of the 10 bcm/year that Baltic Pipe can transport.

In the same context, DUR notices that Open Season 2017 was based on a number of market/tariff assumptions that shippers were offered prior to the bidding process in the autumn of 2017. Energinet prepared e.g. an "Information Package" (I and II) with market data and (tariff) assumptions which should support the shippers in their decision making. This information did not include information on a potential discount for long-term contracts. Likewise, a potential discount was not included in the formal Open Season rules based on which the Open Season participants could place their bids for long-term capacity. On the contrary, the formal Open Season rules applicable to the Danish part of the Open Season 2017 specifically mention that tariffs for Open Season 2017 capacity "will be based on the same principles for tariff setting as other Capacity allocated by Energinet under the RfG". Rules for Gas Transport (RfG) are Energinet's ordinary terms and conditions for the use of the Danish transmission system.

In 2017 (prior to the Open Season 2017 process), DERA (now DUR) published a non-binding statement in which DERA supported the envisaged tariff principles for the Danish transmission system i.e. uniform tariffs and the envisaged one-zone model for the Baltic Pipe route (i.e. only one tariff payment for gas transport through the Danish upstream and transmission networks). DERA provided its statement based on a document from Energinet from 2016 where Energinet presented its envisaged tariff/market principles for the Baltic Pipe Project, and the purpose of DERA's statement was to give some regulatory certainty to the market prior to the Open Season process. The document from Energinet did not mention that a tariff discount for long-term contracts could become an option.

DERA also made a formal decision on the so-called F-factor and the economic test parameters (including forecasted tariffs) to be applied in the economic test that Energinet then had to perform after the Open Season 2017 with a positive result if the Baltic Pipe Project was to continue. The tariff scenarios and actual tariff forecasts that Energinet submitted to DERA for this decision did not include scenarios or tariffs with a discount on long-term contracts. Such a discount could

have influenced DERA's decision that included a market assessment and an assessment of project risks versus expected tariff gains from the project.

DUR therefore concludes that shippers have entered into Open Season capacity contracts based on Open Season rules, Open Season draft contracts, a variety of assumptions and analysis and formal decisions/statements from the national regulatory authority (DUR) which do not mention the possibility for shippers to get a potential discount on the tariffs for their long-term contracts. Therefore, in the view of DUR, market participants could not reasonably have expected such a discount or have made their portfolio planning calculating that Energinet would submit such a discount for regulatory approval at a later stage. DUR also finds that the NRA should have had the possibility to assess such a potential discount in its formal decisions/statements on the Baltic Pipe Project.

Methodology approvals from the NRA always have effect for the future, cf. that the NRA has to approve methodologies for prices and access conditions to transmission networks prior to their entry into force. Methodology approvals are of a general nature and apply to the whole transmission system, i.e. all shippers in the system, cf. Article 36a of the Danish Natural Gas Act. However, if DUR approves the proposed discount then DUR in fact approves a tariff principle which is not of a general nature and available to all shippers in the future. The discount would in fact reward a very limited group of shippers with retroactive effect – i.e. those shippers who have already procured very long-term capacity in an Open Season process – while other shippers with their present knowledge that a discount has been submitted by Energinet for approval do not have the possibility to procure similar long-term capacity (above 5 years) at this stage and get access to a similar discount. In other words, the discount – if approved – would in reality be given ex post to certain shippers, cf. the process leading up to Open Season 2017 which is described above.

DUR is therefore of the opinion that this tariff element has discriminatory effects although it has been submitted to DUR for approval as a general tariff principle that applies to all capacity contract with a duration of 5 years or more. DUR refers to the fact that tariffs and tariff methodologies have to be set on a non-discriminatory basis, cf. Article 13(1) of the Gas Regulation.

DUR also finds that the discount for long-term contracts – in the form that it is submitted for approval - could potentially harm the competition in the gas market. For example, those shippers who have bought capacity in the Baltic Pipe route (North Sea Entry) are under no obligation to use the capacity only for transit to Poland. Such shippers can choose to use part of their long-term capacities to transport gas to the Danish market and the sell the gas here – or in other ways take advantage of a favorable market situation. They can do this with a tariff discount of up to 10% on the entry tariff to the Danish market compared to their competitors who will have to pay the full capacity tariff (or even a higher tariff with a short term multiplier, cf. above) if the wish to buy short-term capacity and import gas from e.g. Ellund to take advantage of a similar market situation. This could hamper competition and market development in the Danish gas market. DUR

takes note of the fact that tariffs and tariff methodologies “shall facilitate efficient gas trade and competition”, cf. Article 13(1) of the Gas Regulation.

To sum up, DUR cannot approve the long-term multiplier (discount) – in the form that Energinet has introduced it and submitted it for approval. However, this does not mean that a multiplier on long and/or medium-term capacity contracts cannot be re-submitted for approval for a new regulatory period as a multiplier (discount) on long-term capacity contracts could be justified, cf. DUR’s initial observations. However, a multiplier has to be based on transparent and non-discriminatory criteria, cf. Article 13(1) and 13(2) of the Gas Regulation, and a multiplier has to secure a fair balance between the objectives of facilitating short-term gas trade and getting long-term investment signals for the transmission system, cf. Article 28(3)(a)(i) of NC TAR.

Concerning Energinet’s proposal for **non-transmission tariffs**, DUR is of the opinion that it provides more transparency if Energinet removes non-transmission fees from its price list if they are no longer applied. Concerning the **off-spec fee**, DUR finds that this fee is outside the scope of NC TAR as it is only a “redistribution fee”. Concerning Energinet’s **emergency tariff**, DUR finds that the emergency tariff is cost reflective, and it is only levied on Danish consumers who are secured gas in emergency situations, cf. Article 4(4)(b) of NC TAR that states that a non-transmission tariff shall be charged to the beneficiaries of a given non-transmission service. Finally, DUR points out that DUR monitors Energinet’s procurement of emergency gas/capacities and requires Energinet to submit an annual report of its actions and costs for fulfilling its security of supply obligations. DUR finds that Energinet’s emergency tariffs fulfill the requirements of Article 4(4) of NC TAR.

## THE DECISION

The Danish Utility Regulator approves the following elements of the Public Consultation Document for a regulatory period of three years:

- The proposed reference price methodology (RPM) with uniform tariffs in all entry-points and exit-points of the Danish transmission system.
- The proposed discount of 100 per cent on the transmission tariff to and from the Danish virtual storage point.
- The proposed multipliers for short-term products with a duration shorter than one year.
- The proposed methodology for tariffs and fees for non-transmission services.

The Danish Utility Regulator does not approve the following elements of the Public Consultation Document for a regulatory period of three years:

- The proposed split between the capacity share and the volume share of the overall transmission tariff (60/40) – with a cap on the volume share of 40 per cent.
  - Instead, DUR discretionarily sets the split at 70/30, i.e. a capacity share of 70 per cent and a volume share of 30 per cent of the total tariff.

- The proposed multiplier for the capacity tariff relating to long capacity contracts with a duration of 5 years or more – where the multiplier is progressively decreased from 0.95 for 5-year capacity contracts to 0.9 for capacity contracts with a duration of 10 years or more.

The legal basis for the above decision is the European Gas Regulation (Regulation No. 715/2009) (Article 1 and Article 13), Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (NC TAR) (Articles 4, 5, 6, 7, 9, 13, 26 and 27), the Danish Natural Gas Act (Consolidated Act No. 1127 of 05/09/2018) (sections 12, 12a, and 36a).

The decision relates to the Public Consultation Document, which the Danish TSO, Energinet Gas TSO, published for public consultation during the period from 1 August 2018 and until 16 November 2018. The Danish Utility Regulator (DUR) received the document for approval on 7 December 2018. According to Article 27(4) of NC TAR, the national regulatory authority shall take and publish a motivated decision on all items set out in Article 26(1).

#### DISCLAIMER

This summary of the draft decision is a non-binding document and it does not in any way substitute the original Danish version of the draft decision. It is merely intended to give an overview of the case and present the main conclusions and arguments of the draft decision in Danish.