

Consultation Process - Energinet

Methodology for integrating Baltic Pipe in the current Danish Market model

Ref to section 2.4.2: Administrative Basis

The aim of the Administrative Basis is declared to ensure that stable, reliable and transparent transmission services can be offered, for the entire pipeline infrastructure, including EP II branch pipeline.

In the proposed Administrative Basis:

- Energinet Gas TSO receives all rights, including the entire technical capacity rights in EP II branch pipeline.
- For these rights, Energinet Gas TSO pays an agreed amount annually to the owner of the EP II branch pipeline (“Annual Charge”). The Annual Charge covers all the cost of investing in and operating the EP II branch pipeline, including a reasonable return on invested capital. The EP II branch pipeline will also pay the Gas TSO for the services it supplies. This Annual Charge would be part of the cost base for calculating the tariffs for the Danish gas transmission system.

QUESTION 1:

For the sake of transparency, could you please communicate your best estimation for the Annual Charge (including some basic elements used in this calculation: CAPEX, OPEX/year, return on invested capital, etc.)?

Ref to section 3.1.1.1: TPA tariff

Energinet Gas TSO will offer negotiated TPA in the EP II branch pipeline as requested by the upstream regulation. If a Shipper has negotiated TPA in the EP II branch pipeline, and it wants to transport the gas into the Danish market, then the Shipper also needs to book capacity at Nybro and pay the full uniform Nybro entry tariff.

In addition to the negotiated TPA, and “to ensure a well-know, transparent and non-discriminatory process and products”, Energinet Gas TSO will also offer the available capacity in the Entry North Sea point as standard capacity products that will be offered via Auctions.

QUESTION 2:

If a Shipper has negotiated TPA in the EP II branch pipeline (with a corresponding TPA tariff to cover the transportation cost in this offshore pipeline), could you please explain the fundamentals for charging (full) additional Nybro Entry Tariff to access the Danish gas transmission system? Would this Shipper be paying the offshore transportation cost twice?

QUESTION 3:

Could you please confirm when do you expect to publish the proposed TPA tariff for the EP II branch pipeline?

QUESTION 4:

Could you please explain the basis for the preliminary calculation of the TPA tariff described in the Consultation document? (~ 2.5 DKK øre / m3)

Ref to section 3.1.1.1: Congestion in Nybro

The gas flow from EP II branch pipeline will go through the same technical installations as the gas supplied to Nybro from the Danish part of the North Sea today. According to Energinet, when reducing the capacity in Nybro, with the gas flow from EP II branch pipeline, the remaining capacity will be higher than the foreseen future gas production from the Danish part of the North Sea. EP II branch pipeline is therefore not foreseen to create congestion in Nybro.

QUESTION 5

Could you please elaborate further on this point, explaining the assumptions used for reaching this conclusion?

Ref to section 3.4: Uniform tariff methodology

The purpose and expected use of EP II branch pipeline is to allow the entry of natural gas from Norway to Denmark. In its approval of the uniform tariff methodology, DUR has recognised that costs from this pipeline would be part of the cost base for calculating a uniform capacity tariff for the entire Danish gas transmission system.

If only the costs from EP II branch pipeline are considered part of the cost base for calculating the uniform capacity tariff for the entire Danish gas transmission system, it could represent a discrimination with Shippers accessing the system from Danish offshore gas production. These Shippers would be obliged to pay an additional tariff for Tyra-Nybro Pipeline to access to downstream transmission system.

Transportation tariffs would not only generate enough revenue to recover approved transportation costs, but also (at the same time) fairly allocate charges to users in relation to the costs and benefits of different services.

QUESTION 6

As the presented methodology endeavours to ensure a joint Danish market model that allows Shippers a seamless, transparent, and non-discriminatory access to downstream transmission system, could you please indicate how DUR/Energinet will prevent any discrimination between the transportation tariffs for Baltic Pipe (North Sea offshore pipeline) and Tyra-Nybro Pipeline?