SUMMARY OF RESPONSES TO THE PUBLIC CONSULTATION REGARDING THE PROPOSAL OF CIRCULAR X/2019 OF THE NATIONAL MARKETS AND COMPETITION COMMISSION ESTABLISHING THE METHODOLOGY IN THE GAS SYSTEM CONCERNING ACCESS TARIFFS RELATED TO THE TRANSMISSION NETWORK, LOCAL NETWORK AND LNG FACILITIES

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ANNEX I. RESPONSES 37
1. Subject matter

The present document is a summary of the responses to the public consultation regarding the Proposal of Circular X/2019 of the National Markets and Competition Commission (CNMC) establishing the methodology in the gas system concerning access tariffs related to the transmission network, local network and LNG facilities, that was closed the 30th of September of 2019.

The number of respondents that participated in the public consultation is 48, of whom fourteen respondents declared their response confidential.

Additionally, the CNMC remitted at the same time as the final consultation a formal invitation to participate in the consultation process to the national regulator authorities of France (CRE) and Portugal (ERSE), in accordance with the provisions of article (28)(1) of Regulation (EU) 2017/460, as neighbouring Member States directly connected to the Spanish system. It shall be noted that the CNMC has only received response from ERSE.

This summary is made pursuant to article 26 of Regulation (EU) 2017/460.

2. General comments

Several respondents (20) welcomed the opportunity to participate in the elaboration of the calculation methodology of the access tariffs related to the transmission network, local network and LNG facilities, as it increases transparency and ensures the effective participation of all interested parties.

Additionally, some respondents (10) generally agreed with the methodology proposed and welcome the clarity of its description considering the complexity of the matter, highlighting two of them specially positively the reduction of the level of multipliers applicable to contracts with less than one-year duration.

On the other side, several respondents (10) criticised the procedure followed in the elaboration of the tariff methodology, form the perspective of the elaboration process of the proposals.

Finally, some respondents (4) considered it is premature to pronounce on the goodness of the proposed methodology, as far as the resulting tariffs of the methodology will depend on the Remuneration Circulars, the value of several allocating parameters used are unknown, and the lack of a detailed impact assessment on consumers and the competitiveness of natural gas.

Precisely, respondents expressed the following general considerations:
• **Procedure in the elaboration of the Proposal of Circular**

Several respondents pointed out certain aspects concerning procedural issues form a national law perspective. Mainly these aspects consist on the absence of an approved internal procedure for elaborating and approving regulating Circulars, the need of fulfillment of certain requirements referred to public hearing and in general a need for further consultation.

• **General principles of European regulations, Law 34/1998 and Law 18/2014**

Certain respondents (4) pointed out that the proposed methodology is against the essential principles foreseen in the national regulation, regarding the need to implement measures to guarantee access tariffs are transparent and not discriminatory.

Additionally, these same agents highlighted that the proposal of Circular violates the general principles established in Law 34/1998 and Law 18/2014 as it does not meet the principle of economic and financial sustainability and the following principles:

a) Guarantee the recovery of the investments carried out by the holders during the economic life of the assets
b) Allow a reasonable return on the financial resources invested
c) Determine the revenues for recovering the operating costs in such a way that provides an incentive to efficiently management and improve in productivity that shall be partly distributed to users and consumers.

Finally, various respondents (10) pointed out that the CNCM has not considered article 61 of Law 18/2014 establishing that as long as there are pending annuities to amortize from previous years, tariffs and charges cannot be revised downwards.

• **Assignment of duties.**

Some respondents (8) agreed with the consideration included in the report of MITECO regarding that the CNMC has exceeded its duties assigned by the Royal Decree Law 1/2019, and consider the following in addition to those stated in the report:

- Under or over recovery of revenues is part of charges
- The definitions of the billing criteria, penalties and reallocation of consumption points are the Ministry’s duty
- Settlements are the Ministry’s duty
Additionally, one of them indicated that the definition of the services to be provided in the facilities is neither a duty of the CNMC

Finally, these respondents signified the need for the Ministry and the CNMC to develop their duties in a coordinated manner.

- **Energy policy guidelines**

Regarding the fulfillment of the energy policy guidelines, the respondents pointed out the following observations:

Generally, respondents (13) considered that the orientation of energy policy regarding the promotion of the use of the facilities aiming to preserve the economic sustainability is not fulfilled.

In this regard, some of them (7) indicated that, as far as the resulting tariffs for LNG facilities are not competitive with French LNG tariffs, the use of the facilities is not encouraged.

In the same way, two respondents pointed that the proposed tariffs for LNG activity only meet the current level of tariffs by the end of the regulatory period, and considering in addition the evolution of the entry tariffs to the transmission network, there is no promotion of the use of the LNG facilities.

Some respondents, (6) signified that against the orientations of energy policy, the tariffs for LNG activities do not reflect the contribution of these infrastructure to security of supply.

Several respondents (14) pointed that, contrary to the orientations of energy policy regarding that the design of the tariffs shall consider the industry competitiveness, the proposal of the access tariffs from the Circular, penalizes industrial consumers.

Some respondents (3) signified that the tariffs resulting from the Circular could hamper the development of natural gas fueling stations connected to the network and encourage those supplied by trucks, with the consequent increase of emissions and safety problems associated with the transit of tank trucks.

Some respondents (4) manifested that the increase on the level of tariffs for the natural gas fueling stations hampers their development and settlement, signifying two of them that it would be contrary to the development of sustainable mobility foreseen in the National Air Quality Plan, Directive 2014/94/EU on the development of alternative fuels transposed by RD 639/2016 regarding
alternative fuels, as well as the corresponding Action Plan adopted for its implementation.

Some respondents (11) considered that, contrary to the orientations of energy policy, the proposed tariffs do not encourage the injection of renewable natural gas. In this regard, some highlighted the discrimination between the tariff applicable to biomethane gas plants connected to the transmission network and those connected the regional network, suggesting the same tariff applicable for both, while other suggested an exemption of 100%.

- **Coordination on the publication of Circulars**

Several respondents (6) pointed the situation of uncertainty for all affected agents because the new booking scheme remains unknown and the need of a coordinated publication of all the circulars in elaboration and, in particular, balancing, access and tariff Circulars. Additionally, they highlighted the need for coordination between the different affected agents, and for this purpose requested clarity and unification of criteria and timelines. In this regard, they requested a detailed timeline that contemplates the required modification for its implementation.

On the other hand, some respondents (3) indicated that the final approval of the tariff framework should be carried out once the remuneration methodologies have been established.

In this regard, several respondents (9) pointed out the lack of coordination amongst the Circulars, highlighting, on one hand the difficulty of assessing their impact on agents, and on the other hand, inconsistencies amongst them which could put at economic and financial sustainability risk the gas sector. Particularly, some of them (4) signified that the tariffs design has an impact in the costs that distribution companies face, as well as in the remuneration of the activity, and hence they claim both Circulars to be coordinated and the obligations derived from them are conveniently considered in the remuneration scheme.

Finally, two respondents pointed out that until the remuneration and access Circulars are not approved, it would be appropriate to only establish the bases of the methodology for calculating the tariffs.

- **Coordination with the Government**

In this regard respondents (10) pointed out the need for the methodologies of tariffs and charges that the CNMC and the Government must develop within the scope of their competences to be carried out in a coordinated and simultaneous
manner, allowing the agents to assess jointly the impact on consumers, shippers, transmission system operators and distribution system operators.

Additionally, two respondents signified that the charges should have a similar structure to the access tariffs.

Finally, one respondent pointed out that the methodology is incomplete as long as the methodology for determining the charges remains unknown.

- Transition period for implementation of the methodologies for determining the tariffs and charges

Regarding the transition period for the implementation of the methodologies for determining the tariffs and charges, several respondents (8) pointed out the need of applying the provision included in the Law regarding the application of a transition period of 4 years in which it is guaranteed the gradual convergence of the tariffs in force to those resulting from the methodologies for tariffs and charges.

One respondent, highlighted the need to moderate the impact on the different agents during the convergence period of 4 years foreseen in the Royal Decree Law 1/2019. Particularly to those applicable to entry tariffs to the transmission network from Portugal and to final consumers.

Finally, one respondent requested to include in the Circular a precise provision describing the convergence process, similar the one included in the proposal of Circular of 2014.

3. Particular Comments

3.1. General principles

Three respondents (3) agreed with the general principles set out in the Circular, although they pointed out that in some cases the proposed methodology is contrary to such principles.

Some respondents (4) signified that the sufficiency principle is not met, as unrealistic billing variables are being considered.

Two respondents pointed out that the Circular does not comply with the efficiency principle to the extent that eliminating pressure introduces a cross subsidy amongst consumers. On the contrary, two other respondents pointed out that as long as the disconnection of the network to other energies or even
individual LNG satellite facilities are not encouraged, eliminating pressure levels could be adequate for the purpose of efficiency, as consumers with the same characteristics would be charged the same for the use of the networks.

Additionally, these respondents (4) pointed that according to the efficiency principle, cross subsidies amongst activities should be avoided, highlighting that part of the allowed revenue for regasification activity is recovered thought exit tariffs.

Some respondents (4) considered the Circular does not comply with the non-discrimination principle as they have understood that consumer connected to the trunk network will avoid paying the access tariffs to regional networks, highlighting two of them the need for clarifying this issue in the Circular.

In addition, two respondents remarked that the transparency and objectivity principles are not met as it has not been granted access to all the information and hence it is not possible to replicate the calculations.

In this regard, one respondent pointed out that contrary to this principle, the content of the Impact Assessment document is insufficient to allow the replication of the calculation.

Two respondents, remarked that the proposed tariffs do not promote competitiveness and efficient trade of gas, as they penalize industrial customers and the competitiveness of individual LNG satellite plants with respect to customers supplied from the network is promoted.

Some respondents (3) pointed out that, although they agree with the sufficiency principle, perhaps sufficiency should be considered during the regulatory period and not just annual sufficiency, in order to promote tariff stability. In this regard, one of them indicated that Royal Decree-Law 8/2014 allows some flexibility by pointing out that tariffs must be reviewed when the mismatch exceeds 10% of the regulated revenues of the year or when the sum of the annual mismatch and pending annuities exceed 15%.

3.2. Access tariffs to the transmission network

Regarding the methodology applicable for determining the access tariffs to the transmission network, respondents made the following observations:

- **Services provided by the transmission network**

Some respondents (3) remarked the convenience of defining the linepack service, justified by two of them for the need to provide greater flexibility to the
system, and by another for consistency with the services defined in the Circular Proposal establishing the access methodology and conditions and the capacity allocation mechanism in the natural gas system.

In addition, one respondent indicated that in order to avoid potential inconsistencies amongst regulations, it should be evaluated the need to include in this Circular the definition of services, because the services provided by the different infrastructures are already defined in the Circular Proposal establishing the access methodology and conditions and the capacity allocation mechanism in the natural gas system.

- **Allowed revenues considered in the transmission tariffs**

A respondent positively assessed the decision of allocating only the allowed revenues associated with the trunk network to the transmission tariffs, considering that it avoids cross subsidies between national demand and users of interconnections. However, indicated that the evolution of the allowed revenues associated to the transmission network during the regulatory period should be explained.

One respondent remarked that is not understood why the premiums resulting from capacity auctions at entry and exit points are included for determining the transmission tariffs, since they will not be known prior to the calculation of tariffs for the following tariff period, noting that they should refer to the previous year.

- **Allocation of the allowed revenues of the transmission network to the services provided.**

A respondent pointed out that, although they understand the rationale of allocating the cost of operating gas to a variable term, there are other variable costs such as CO2 emissions and costs related to the incentive scheme that should have also been considered in the variable term. In particular, they indicated that in case of doubt, costs should be allocated to the variable term.

- **Methodology to determine the transmission tariffs**

Regarding the selected methodology for establishing the transmission tariffs, respondents made the following observations:

A respondent indicated that the methodology applied does not correspond to the methodology described in the TAR NC, to the extent that the capacity of all the exit points or all the entry points has not been taken into account in the distance matrix, because, in the calculation of the weighted distance of an entry point the exit capacity of this point has not been considered in the calculation (and vice
versa, in the calculation of the weighted distance of an exit point its exit capacity has not been considered).

Some respondents (3) remarked that the application of the CWD methodology is not appropriate for the Spanish system because, on the one hand, considering its maturity, it is not necessary to provide locational signals and, on the other hand, a single exit tariff for the national exits and a single entry tariffs from LNG facilities are considered after adjustments, suggesting (2) of them the application of the postal stamp methodology or, alternatively, the equalization of entry and exit tariffs for international connection points.

In this regard, a respondent indicated that the distance matrix does not reflect appropriately the costs of using the network because it is not considering compression stations, it is not reflecting capital costs (as they are not taken into account in the real behavior of the network), it is unpredictable and discriminatory as it considers for storage facilities a 100 % discount in the entry and exit fixed terms.

In this regard, some respondents (5) indicated the need of a sensitivity analysis, given the differences for entry points and the impact on the Spanish gas market and the development of MIBGAS. Several of them (4) suggested the possibility of contemplating alternative allocation methodologies, modifying the entry-exit split or establishing a convergence period that results in the application of the strict CWD methodology at the end of the period. Additionally, a respondent proposed in order to facilitate market integration, to allocate cost associated with excess capacity of the transmission network to a specific tariff, similarly to the temporary regasification tariff, and recover it directly from final consumers.

On the other hand, a respondent remarked that the practical application of the CWD methodology does not reflect the system costs and suggests either discard the single tank model, or include discounts for unloading tariffs or allow regasification service localized in a particular facility.

Additionally, a respondent emphasized the impact the CWD methodology has for the entry pint of Portugal, which is a difficulty for the integration of Portugal in the Iberian gas market. On the other hand, a respondent showed conformity with the resulting entry tariff from Portugal, to the extent that it reduces the price differentiation and, therefore, encouraging the use of the Spanish LNG plants.

On the other hand, this same respondent showed disagreement with the entry tariff from VIP Pirineos, to the extent that it will harm the liquidity Spanish gas market.

Regarding the entry-exit split, some respondents (10) highlighted the price differentiations amongst entry points and the potential impact on gas and
electricity markets and the use of LNG facilities, pointing out some of them the need for harmonizing with neighboring countries, two of them suggested an entry-exit split of 30%-70% and a third respondent 40%-60%. Finally, one respondent proposed an alternative allocation method to determine the entry-exit split. Particularly, suggested to recover excess capacity transmission costs, national security of supply, and by internal demand, while only the allowed revenues associated with the international connection points and the security of supply of neighboring countries should be allocated to international interconnections.

In this regard, a respondent considered that costs allocated to entries should be decreased and increase costs allocated to national exits, excluding international interconnections, in order to promote a competitive market while increasing the use of LNG facilities for exports.

Regarding the allocation to fixed-variable terms, a respondent suggests to allocate operational and maintenance costs to the variable term to promote competitiveness amongst shippers.

- **Adjustments of tariffs**

Some respondents (3) pointed out that the equalisation of tariffs for entry points to the transmission network from the LNG facilities and not for entry points from interconnection points, puts at risk the use of the LNG facilities, indicating, in addition, that the equalisation of entry tariffs from LNG facilities is not justified and penalizes Bilbao LNG terminal and its users, which is contrary to the efficiency principle.

Several respondents (5) suggested the possibility of applying a discount to the entry tariffs from LNG facilities as it is foreseen in the TAR NC, aiming to increase competitiveness with the LNG facilities Portugal and France.

Two respondents proposed the equalisation of entry tariffs at international connection points or, at least, the equalisation of entry tariffs at international connection points from State Members in order to avoid penalizing the entrance from Portugal. Alternative they proposed applying a discount to avoid Portugal isolation.

A respondent remarked that the proposed methodology establishes a discount of 100% for underground storages against the 50% provided in the TAR NC.

Two respondents proposed to apply a 50% discount for injections in the transmission network of manufactured gases and from unconventional sources.
• **Short term multipliers**

Some respondents (3) agreed with reducing short term multipliers justified by its beneficial impact on the wholesale electricity market and the positive impact on competition.

On the other hand, the respondents (7) who made remarks in this regard, pointed out the complexity of establishing intraday multipliers depending on the contract duration proposing instead a single value, highlighting some of them that according to the TAR NC multipliers should not be higher than 3. In this regard, a respondent pointed out that proposed multipliers in article (28)(3)(a) and particularly (28)(3)(i) do not comply with this provision.

Finally, a respondent remarked that multipliers should be the same for entry and exit points of the transmission network and for the services provided by LNG facilities.

• **Interruptible capacity tariffs**

Two respondents showed their preference for an ex ante discount for interruptible tariffs, as they consider it provides a higher commercial value and simplifies the pricing of commercial actions.

Two respondents pointed out that article 15 should specify, where appropriate, that ex ante interruptible tariffs shall be published together with the other tariffs. Regarding the ex post interruptible tariff they highlighted the need for providing in this article that it will be billed by the holder of the facility.

Two respondents indicated that the definition of physical congestion should be included by referring to the definition provided by article (2)(1)(23) of TAR NC.

• ** Billing conditions**

A respondent suggested to include indefinite duration contracts in the formula applied for capacity billing, in order to include exit contracts to consumer with this duration.

A respondent proposed to modify the parameter D considered in the formula applied for capacity billing aiming to reflect that, the number of days of the contracts belonging the corresponding month, is considered in the monthly billing.

Two respondents indicated that, under the billing condition of transmission tariffs, it should be noted that, in case the owner of the transmission facility has
transferred the management to an Independent System Operator certified (ISO), the ISO will be responsible of the billing.

Some respondents (3) proposed to include the auction premium in the billing conditions.

Regarding the billing of demanded capacity, two respondents pointed out that the automatically generated daily contract shall include a mechanism for the provision of guarantees, in order to limit the risk of possible default and noncompliance from the agent responsible of the payment.

Some respondents (4) considered excessive the penalty for exceeding demanded over contracted capacity and they propose multiplying by 2 or 3, instead of 5, the value obtained from the formula established in article (16)(3)(i).

- **Comparison with current transmission tariffs**

Two respondents indicated that, although the current methodology is not public and current tariffs include both transmission and distribution, they missed an explanation of the evolution of access tariffs compared with the current tariffs, at least for VIP Ibérico and VIP Pirineos.

Additionally, one of these respondents requested a second public consultation, considering the lack of information about the methodology for determining the charges, that could have an impact on transmission tariffs.

- **Convergence transitory period**

Two respondents pointed out that given the increase in the entry tariffs to the transmission network resulting from the Circular over the current level of tariffs, and the evolution of the transmission tariffs during the transition period, the implementation of a convergence period could be assessed. In particular, they propose applying in 2020 the entry tariffs to the transmission network that result for the period October 2024-September 2025 and recover the difference through a transitory transmission tariff.

- **Information that should have been available in the public consultations**

A respondent considered that the public consultation does not comply with the TAR NC because the allowed revenues are provisional and the Consultation document has not been published fully in English.
3.3. Regional access tariffs

Regarding the methodology applicable for determining the access tariffs to the regional network, respondents made the following observations:

- **Area of application**

A respondent indicated that applying a regional tariff to consumers connected to the trunk network is contrary to the Regulation (EU) 2017/460 and to the Directive 2003/55/CE.

A respondent highlighted the discrimination between consumers connected to the trunk network and consumers connected to non-trunk primary transmission networks having both of them identical consumption profile.

A respondent indicated the need for clarifying in the circular that regional access tariffs apply to all consumers, and if this is not the case, establish an exemption on regional access tariffs to power plants, in order to avoid discrimination.

- **Services provided by the regional network**

Some respondents (3) remarked that there is no correspondence between the definition of provided by the infrastructure and the structure of the access tariffs to regional network. In particular, they highlighted that even the Circular defines an entry tariff to regional network, there is no specific calculation of the tariff that will correspond to this activity.

Regarding the above, some respondents (3) pointed out that the provided discount of 50% penalizes the injection of renewable gas, considering on one hand that not all infrastructures are used and, on the other hand, the infrastructures are fully paid by consumers. As a consequence, they proposed a 100% discount.

On the other hand, one respondent remarked that, according to the text given in the proposal, the entry tariff to the local network would not be defined since the tariff groups listed depend on the consumption of the customers and not on the entries to the network, and the amount to be invoiced cannot be calculated according to the formulation provided in article 26.

- **Tariff structure**

Several respondents (7) indicated that removing pressure levels introduces a cross subsidy amongst industrial consumers connected to pressure below 4 bar
and those connected to pressures higher than 4 bar, suggesting three of them, at least, to differentiate between these pressure levels.

In this regard, two respondents indicated more appropriate the current tariff structure, differentiated by pressure level and volume of consumption, from the point of view of cost allocation and propose to maintain it.

Two respondents without assessing the proposed methodology, expressed concern about the impact on consumption and on the market that could be derived from the new tariff structure and recommend caution.

Two respondents pointed out that, despite the characterization of consumers set out in Annex III, the customer segmentation is not justified in the Impact assessment document.

A respondent indicated that the chosen segments of consumption are not adequately justified and proposes to extend the segmentation adding two additional segments: D12 for volumes between 1,500 GWh / year and 5,000 GWh / year and D.13 for consumptions between 5,000 GWh / year and 15,000 GWh / year.

In the same line of thought, another respondent requested the creation of two additional segments: D12 for volumes between 1,000 GWh / year and 2,000 GWh / year and D.13 for consumptions greater than 2,000 GWh / year and the consequent modification of the segment D.11 for volumes between 500 GWh / year and 1,000 GWh / year.

On the contrary, a respondent questioned the need for implementing such high segmentation, indicating, additionally, that decreasing tariffs according to consumption increase is not an appropriate signal for the purpose of efficiency.

A respondent proposed either to increase the upper limit of tariff consumption D.1 up to 5,000 kWh / year or to establish the same tariff for groups D.1 and D.2 for consistency with the marginal remuneration of the network.

Two respondents remarked the impact of re-invoicing power plants, proposing one of them to apply to consumers connected to high-pressure a minimum of a D9 tariffs.

A respondent indicated the need to assess that tariff structure has no impact on the application of network losses, the application of consumption profiles to calculate balances and the application of the tariff of last resort (TUR).
Several respondents (3) suggested to maintain the current units of measurement, established in kWh instead of MWh, in order to avoid changes and confusion in the billing conditions.

Finally, two respondents suggested to modify the tariffs terminology to avoid confusion with the terminology used by Eurostat for the classifying domestic tariffs, since both begin with the letter D.

- **Allocation of allowed revenues by pressure level**

Three respondents indicated that taking into account the recent evolution of distribution networks, remuneration could be allocated by pressure level, considering its forecasted evolution, instead of the historical evolution and proposed to allocate 92% of the distribution allowed revenues to networks with a design pressure below 4 bar and 8% to networks with a design pressure greater than 4 bar, versus the 89% / 11% established in the Circular, considering that given the maturity of the distribution network in the medium term, it is only foreseen growth for networks with a design pressure networks below 4 bar.

A respondent pointed out that the allocation of the allowed revenues of local networks by pressure levels, based on the information provided by the companies, should be contrasted with the remuneration values considered in the CNMC’s Remuneration Circular highlighting that it would be appropriate to know the kilometer number of the distribution network by pressure level in order to assess the allowed revenues assigned per kilometer of network.

- **Allocation of the allowed revenues of each pressure level to such pressure level and lower pressure levels**

Some respondents (3) indicated that using energy balances of 2017 for the allocation creates a distortion, to the extent that 2017 was a warm year and they indicated that it would have been more appropriate to take a climatologically cold year, since the system is sized to meet the peak demand. Additionally, they pointed out that the peak of the system is probably recorded on a business day, while the peak demand for domestic consumers occurs during the weekends. Finally, it has been remarked that the allocation to the different tariff groups is then carried out considering the contracted flow, which is inconsistent with the allocation methodology.

Additionally, two of these respondents considered it is necessary to deeply review the capacity considered for costumers with no remote metering, while the other one indicated that the allocation methodology should contemplate the following aspects:
- Distribution networks have costs from associated to civil works and dimensioning which are not related to the consumption profile.
- It has not been considered the contribution to the system provided by costumers with higher volumes, resulting that economies of scale are not taking into account.
- Security of supply given to domestic costumers has not been considered; according to NGTS 10.8, in case of emergency they have priority in order to avoid their interruption.
- Costs driven by the number of customers, such as the costs of the commercial cycle (metering, billing, default management, emergency care) and the marketing costs for capturing customer needed for sustainability of the system, have not been considered.

Likewise, several respondents (3) indicated that in the allocation methodology it should have been taken into account that the cost of capturing industrial consumers against domestic consumers is practically inexist, highlighting one of them the importance considering they may represent between 30% and 50% of the cost of distribution operators.

Two respondents pointed out the need to contemplate the security of supply provided to domestic customers who, according to NGTS 10.8, have priority in emergency events not to be cut.

On the other hand, a respondent, indicated that since the actual costs caused by consumers of groups D.1, D.2 and D.3 for connections, dimensioning of the pipelines, meter reading, etc. are the same, it does not seem appropriate to have increasing unit costs.

A respondent without opposing to the allocation methodology, indicated that perhaps it would have been more suitable for saturated networks.

- **Allocation of the allowed revenues to be recovered by fixed term and variable term of each pressure level**

Three respondents proposed, considering the cost nature of the networks, that regional tariffs should consist only of a capacity-based tariff.

On the contrary, a respondent indicated that, although the network costs have a fixed nature, they should not necessarily be recovered through a fixed term, and indicates that in order to encourage efficient consumption of energy a more balanced distribution should be applied. Additionally, he remarked that the distribution applied is not homogeneous and that he considers that the fixed term should be smaller as the volume of consumption increases. Finally, he showed his disagreement with the allocation criteria of the allowed revenues in
accordance to the volume and proposed to maintain the current tariffs until the elaboration of a new Circular contemplating his observations.

In this line of thoughts, a respondent proposed to allocate 25% of the allowed revenues of all pressure levels to the fixed term and 75% to the variable term, similarly to their proposal for the electricity sector, in order to incentivize savings and energy efficiency policies in the gas sector.

- **Discontinuities in tariffs**
  
  Several respondents (6) indicated the existence of strong discontinuities at the border points between the tariff groups in unitary terms, proposing one of them to give consumers the possibility to choose between booking capacity or paying a fixed term per customer, while others suggested to consider a different methodology and another respondent recommended the use of a statistical model.

- **Interruptible capacity tariffs**
  
  Two respondents pointed out that article 24 should provide that interruptible tariffs should be billed by the holder of the facility.

- **Short term multipliers**
  
  Respondents (4) who pronounced in this regard pointed out the complexity of establishing intraday multipliers based on the duration of the contract and proposed to establish a single multiplier, indicating two of them that it should not exceed 3 according to the TAR NC.

  A respondent indicated it is not clear whether multipliers are applied to contracts of less than one-year duration in the case of access to regional networks.

  Finally, a respondent indicated that the multipliers should be the same for the entry and exit points of the transmission network and the services provided by the LNG facilities.

- **Billing conditions**
  
  - Some respondents (8) indicated that monthly billing of the transmission tariffs and of access to regional network tariffs is contrary to article 51 of the Royal
Decree 1434/2002 and will lead to an increase in metering costs that, if applicable, should be considered in the corresponding remuneration scheme.

- In this regard, some respondents (6) proposed to maintain the possibility for distribution operators of billing consumers with an annual consumption of less than 100,000 kWh / year either monthly or bimonthly.

- Some respondents (4) proposed to include the reference to indefinite duration contracts in the capacity billing formula, in order to include exit contracts to consumer with this duration.

- A respondent indicated the need to clarify in the billing conditions that the capacity term of the annual and quarterly products must be prorated monthly for the contracted product duration.

- Two respondents remarked that it shall be indicated that total daily consumption will be distributed amongst all the effective contracts on that day proportionally to the contracted capacities in each of them for billing volume.

- Several respondents (7) considered excessive the penalty for the excess of the demanded capacity over contracted capacity, suggesting one of them that this penalty should be harmonized for countries of the southern regional initiative and the other respondents that a lower penalty should be applied (between 2 and 2.5).

- Several respondents (4) pointed out the complexity of the generation of daily contracts and the consequent impact on contracting and billing systems costs, so they propose to implement a penalty when it is exceeded the contracted capacity, instead of generating daily contracts.

- Several respondents (4) pointed out the need to make available the real-time consumption information to consumers with remote metering, through their shippers, in case the flexibility mechanism of 85% -105% is eliminated.

- A respondent indicated that it is not clear whether the billing mechanism of the demanded capacity of 85% -105% will still be effective.

- Several respondents (5) proposed to preserve the billing mechanism of the demanded capacity of 85% -105%, because it allows the industry some flexibility against unforeseen causes such as production interruptions or peaks of production. In the same line, several respondents (4) indicated the negative impact of eliminating flexibility 85% -105% on the industry.
− Three respondents proposed the possibility of transferring contracted capacity as well as having short-term capacity contracts, providing more competitiveness for industrial consumption.

− Some respondents (11) requested an increase of the discount applicable to the capacity-based terms for injections of renewable gas in regional networks, up to 100% except one of them who requested a 75%, in line with the guidelines of energy policy.

− A respondent suggested the possibility of considering some kind of discount for the injection of renewable gases, as well as providing some predictability on the evolution of tariffs for agents interested in injecting renewable gas.

- Allocation of customers in the new tariff groups

Some respondents (9) requested the Circular shall establish the procedure to allocate customers in the different tariff groups, especially taking into account the change to the year of gas, as well as the subsequent annual relocation of them, requesting several of them the current system to be maintained.

In relation to the above, several respondents (4) requested the transmission and distribution operators shall communicate to the shippers well in advance the tariff group where their customers are located.

Another respondent requested considering in the allocation of domestic customers the twelve months following the activation of the contract with the shipper and their respective extensions, in order to apply the same tariff during duration of the contract. In case of not considering this proposal, they alternatively request that the calculation of consumption includes the twelve months prior to the initial activation of the supply and their respective extensions.

Finally, two respondents proposed to apply D.9 tariffs to consumers connected to pressure level greater than 60 bar with consumption equal to or less than 50 GWh / year, in order to mitigate the impact of a low production year in the case of industrial consumers and power plants.

Similarly, another respondent proposed to allocate power plants in the tariff group D.11, regardless of the level of actual consumption. Additionally, this same respondent proposed to limit for these customers the billing of contracted capacity when they are not in operation due to technical restrictions.

On the other hand, some respondents (3) requested clarifications in the billing procedure to the final consumer, regarding the relocation of customers in tariff groups, while others (5) pointed out the complexity and impact of applying
rebilling domestic customers and the need for a more detailed analysis of the convenience of the measure.

In this sense, several respondents (9) proposed avoiding rebilling domestic customers. In particular, one of them proposed to avoid rebilling those customers for whom a fixed term per customer is applicable.

A respondent suggested to maintain the current customer relocation and rebilling criteria.

In this regard, a respondent indicated the Circular should establish that the rebilling of the affected customers will be done by the current shipper.

Two respondents indicated the impact on the guarantees to be constituted of the allocation customers in tariff groups for customers with high variability.

Two respondents remarked the need to specify with a greater detail under what circumstances the billing would be regularized, proposing to carry out quarterly regularization, in order to avoid rebilling customers.

Finally, two respondents pointed out that rebilling short-term contracts based on actual consumption introduces uncertainty power plants and in bids of the electricity market.

- **Resulting tariffs of the methodology**

Several respondents (5) highlighted the results of the proposed methodology penalizes middle size customers (D.4-D.7), remarking two of them the need of adjustments of the tariff groups aiming to harmonize the impact of the methodology amongst all tariff groups.

Finally, considering the results of the proposed methodology, a respondent proposed starting from the current level of tariffs, homothetically apply to all tariffs the corresponding decrease that results from the remuneration Circular.

### 3.4. Access tariffs for LNG facilities

Regarding the methodology applicable for determining tariffs applicable to LNG facilities, respondents made the following observations:

- **Definition of services**
In order to avoid confusion between infrastructure and services provided by the infrastructure, a respondent proposes to replace the reference to regasification facility by LNG plant or regasification plant.

A respondent indicated that the reference to LNG satellite plants should be removed from the definition of the truck loading service, to the extent that they may have different destinations.

A respondent highlighted the need to define the cargo tanks minimal heel in the case of the cooling service, while another indicated that the definition of the service should be supplemented in order clarify that the loaded volume by the end of the operation cannot exceed the cargo’s minimal heel.

A respondent suggested removing from the definition of the ship-to-ship LNG service the reference of the need of two breathings, as this operation can now be carried out without the need of it.

Regarding the above, some respondents (3) proposed to provide the ship-to-ship LNG transfer service a differentiation in prices between operations with two breathings used versus using a single breathing, proposing a discount from the former in such a case. In this regard, one of the respondents pointed out that this service should take into account part of the unloading facilities, part of civil works and buildings, part of the management and control systems, part of the auxiliary services and part of the power supply. Since, if necessary, they could use the plant’s network to the boil off, and part of the boil-off facilities, these should also be included.

Two respondents proposed to include the following services not considered by the Circular:

- Gassing up: this service includes the right to use the facilities necessary for an unloaded cargo without a gas atmosphere, receiving LNG from regasification plants under appropriate safety conditions.
- Unloading, LNG storage, regasification and entry to the Virtual Balance Point service.
- LNG storage, regasification and entry to the Virtual Balance Point service.
- Underground storage of natural gas, injection and extraction.

In addition, a respondent proposed to include a virtual liquefaction tariff from PVP to physical plant, in order to increase the supply of localized products.

- **Tariff structure**
  - A respondent pointed the need of establishing a competitive tariff to maximize the short-term use of LNG plants. In particular, it raises the possibility of
establishing a tariff to the aggregate product capable of competing with other European terminals.

- A respondent considered it more appropriate for the virtual liquefaction tariff to be a variable term of applicable to the natural gas MWh that virtually exit from the transmission network to the Virtual Balance Tank.

- A respondent interpreted that “other regasification costs” are recovered through a transition tariff that is attributed to national demand and not to users of regasification facilities.

- A respondent remarked the need to provide a solution to capacity contracting of truck LNG services with destination distribution LNG satellite facilities in order to limit penalties.

- A respondent proposed to set a regulated tariff for the transport of LNG by road to distribution LNG satellite facilities and consisting only of a variable term and recovering the cost of truck loading and road transport.

- Two respondents remarked that the size of the cargo shall correspond to the contracted/scheduled and viable, in line with the allocation mechanism where the cost drive is the size.

- Two respondents indicated that, in the tariff design, in addition to the requirement of cost-reflectivity, strengthening incumbents should be avoided, pointing out in this regard one of them that, the LNG storage tariff with a fixed term favors incumbents with the portfolio effect, while the other respondent proposes, in compliance with the cost-reflectivity principle, to variabilize regasification tariffs in order to promote competition.

- A respondent indicated that the LNG storage tariffs should consist of a fixed term and a variable term, in line with Article 31.5.

- **Methodology for determining the tariffs applicable to LNG facilities**

In relation to the allocation methodology, several respondents (13) suggested the possibility of considering the contribution of the LNG facilities on the security of supply and flexibility, suggesting that part of their allowed revenues should be allocated to end customers. In this regard, the respondents made the following observations and proposals:

- Two respondents proposed a minimum scenario consisting of allocation of the designed overcapacity costs to a security of supply tariff, which will be
equivalent to the largest entry point, in accordance with Regulation 2017/1938. In addition, they propose an average competitive scenario where overcapacity unused is allocated to this security of supply tariff. Finally, an optimal competitive scenario is proposed, where all regasification allowed revenues are allocated to national users.

- A respondent, even in accordance with the methodology proposed, stated that more costs could be transferred from the regasification tariff to the transition regasification charge and proposes to allocate 20% of the allowed revenues to security of supply and recover it through consumers.

- Along the same vein, a respondent indicated that the security stock corresponds to the storage capacity to cope with the non-interruptible demand during the maximum number of hours that the plant can be without receiving LNG, that these reserves are established in IT-CPC-P02 and should therefore be calculated in accordance with that protocol and allocated to all demand, otherwise it will result in cross-subsidization between users and underutilization of facilities. This respondent, therefore, proposes the implementation of a security of supply tariff.

- In addition, some respondents (3) proposed allocating security stock to national demand.

- A respondent proposed calculating tariffs by assuming a 100% utilization of facilities and the difference between the turnover obtained from applying this tariff to the forecasted demand and the allowed revenues to be recovered through a variable tariff applicable at the exits of the transmission and distribution network.

- A respondent proposed to value security of supply as the equivalent cost of providing a regasification capacity equal to that provided by all entries through international connections (1,055 GWh/day) and allocate it to international entry points in proportion to its capacities and deducting it from the regasification cost to be recovered for regasification tariffs.

A respondent proposed to calculate the cost associated with the logistic flexibility stock as the need to unload a medium-sized vessel, representing 26.55%. The difference between tank capacity, safety stock and logistic flexibility stock is what would correspond to the LNG storage service, thus avoiding cross-subsidization between LNG storage services and vaporization while providing competitive regasification tariffs.

A respondent proposed to reduce, as much as possible, the regasification tariffs and recover part of the allowed revenue through the exit transmission tariffs, justified by the beneficial impact on price formation in the electricity market and the increase in competition in the gas sector.
In addition, a respondent while valorizing the proposed methodology and the effort made, pointed the need to reduce tariffs on access to LNG facilities in order to increase the use of LNG facilities and competitiveness.

A respondent expressed its disagreement with the proposal to recover continuity of supply remuneration, the costs associated with the hibernation of El Musel and the costs arising from rulings through the regasification tariffs, to the extent that it discourages the use of LNG facilities, it will impose a higher market price on consumers and is due to a governmental decision for the benefit of Spanish consumers. It therefore proposes to allocate these costs to national demand or truck loading service, in order to increase the price and reduce the risk of disconnection of the network.

On the contrary, some respondents (3) pointed out that the allowed revenues of regasification activity must fully be recovered through the tariffs applicable to the facility users, otherwise a cross-subsidy between regasification and transmission and distribution activities will arise. In coherence, they manifested against the security of supply principle.

A respondent stated that the cost of replacing facilities include a direct emission to the network boil-off compressor that currently has no recognized revenues and should therefore not be part of the calculation.

One respondent pointed out that there is no justification in the consultation document on the allocation of variable allowed revenues per service, noting that the allocation could be harming national activities versus ship loading.

Regarding the unloading tariff, a respondent pointed out that an unloading time of 11.83 for all vessels of size less than 40,000 m3 seems excessive, while, on the contrary, the unloading of a QFlex type vessel (216,000 m3) requires more than the 17.52 hours considered in the consultation document.

Regarding to the truck loading tariff, two respondents remarked that the cost of truck loading is 400% higher than its corresponding allowed revenue, and hence proposes to review the remuneration scheme so that the corresponding tariff reflects the costs of this service.

With this regard, several respondents (6) advised that reducing the truck loading tariffs may introduce an incentive for the disconnecting from the network for certain consumers.

Relating to the above, some respondents (3) proposed that consumers supplied by LNG satellite facilities should support a portion of the transmission network, justified by the benefits from the single tank model provided to those consumers.
provided by the interconnected transmission network. In addition, they proposed to include demanded capacity over invoiced capacity penalty as for other tariffs. Finally, they pointed out that to the extent that the shippers can group LNG satellite facilities hold by single customers, these consumers benefit from the portfolio effect and therefore proposes to bill them individually according to their individual contracted capacity, as done for rest of the industrial customers.

In the same vein, a respondent proposed that the load capacity for LNG satellite facilities hold by single customers, should be associated with the capacity of that customer, in order to avoid capacity hoarding situations and captive customers. In addition, in the case of trucks with distribution LNG satellite destinations, to virtually contract capacity, so that such capacity considered jointly for all facilities and not for each facility, promoting access for domestic customers.

Another respondent suggested reviewing the scope of regulated activities relating to truck loading service in order to provide equal conditions for customers connected to the network versus those not connected to the network.

In this same vein, a respondent proposed, in line with the Portuguese model, to search for solutions that will avoid the risk of improving competitiveness of customers holding an LNG satellite facility over customers connected to the network.

On the other hand, two respondents proposed a new model aiming to mitigate current operational problems of this service. Amongst other aspects, the model proposal considers:

- Consider the billing of the service of cooling and depressurization of tanks for those truck tanks that do not arrive to the facility in optimal conditions and cause a delay in the load. In case it is not chosen to bill it as an additional service, a multiplier may apply that encourages the correction of this situation.
- Reduce prices for loading during the night and on weekends as these are valleys for truck loadings and there is no queuing nor delays in this timing.
- In order to manage the loadings during the day and to encourage an adequate scheduling, in line with article (31)(3) of the Access Circular that obliges the crediting of the purchased slots despite not making use of them, the billing of the scheduled truck loading is proposed regardless of real loading. In such a case, the amount to be billed in this situation by the LNG facility holder must be indicated.
- Finally, it is proposed to allow loading over contracted capacity applying a similar mechanism applied to national consumer who demand a capacity greater than contracted paying a penalty for exceeds. In this situation, the CNMC should pronoun on the need or not to generate an automatic contract and the tariff applicable for exceeds. If this mechanism is not granted, a solution for distribution LNG satellite facilities shall be provided, for whom
loading over contracted capacity is allowed for the purpose of security of supply.

A respondent proposed not to include an obligation to contract capacity in the case of truck loading for supplying customers connected to distribution networks and bill them ex post, in order to solve saturation problems of some LNG facilities.

A respondent pointed out the need of assessing the possibility of avoiding penalties for exceeded truck loadings with destination distribution LNG satellite facilities, considering that in these cases the distribution operator is who books capacity, and it is then split between shippers.

Finally, a respondent indicated that it would be appropriate to take into consideration proposals from other countries such as Portugal, where consumers connected to network or LNG satellite facilities pay practically the same, avoiding discrimination and encouraging the use of the available gas infrastructures.

Regarding the methodology applicable for the allocation on plant-to-ship LNG transfer service, several respondents (4) agreed with it. However, they pointed out that it should be consistent with the remuneration scheme, otherwise it might not be sustainable.

On the other hand, a respondent indicated that slots for small LNG vessels should be available at the same time as the unloading slots and would appreciate clarification of this issue in the Access Circular.

In addition, this same respondent, indicated that a fixed term should apply for loading vessels of more than 25,000 m³ capacity, as they use facilities at least the same time used for unloading this size vessels. These revenues could be intended to cover infrastructure costs, allowing a reduction in LNG storage and regasification tariffs.

Regarding the transition tariff intended to recover other regasification costs, some respondents (5) stated that these costs should be allocated to the fixed term and not to the variable term, taking into account the nature of the cost and the impact on Spanish industry.

Three respondents in line with the arguments of the proposal of Circular establishing the methodology for determining the allowed revenues of natural gas transmission facilities and LNG facilities, request the removal of the allowed revenues for continuity of supply from the transition tariff of other regasification costs.

Finally, two respondents proposed to allocate to transmitted demand the costs associated with storage and regasification overcapacity in a similar way to the other sunk costs considered in transition tariff of other regasification costs.
• **Short term multipliers**

One respondent pointed out that short-term multipliers are a barrier to the use of LNG facilities, since they only apply to disaggregated services, making spot operations more expensive, and that disaggregated services do not provide enough flexibility, proposing either multipliers close to 1 or increasing the flexibility of aggregated services above 5%.

Some respondents (3) proposed applying intraday multipliers to the LNG storage service, in order to increase the agents' flexibility to deal with imbalances.

A respondent suggested applying intraday multipliers to the truck loading service.

A respondent pointed out that multipliers applicable to services provided by LNG facilities should be 1 or very close to 1, in order to promote the use of LNG facilities, finally eliminating them. On the other hand, another respondent suggested the same multipliers applicable to transmission network.

• **Interruptible capacity tariffs**

A respondent indicated that the Circular should detail what tariffs the interruptibility applies to and that, in his opinion, the virtual liquefaction tariff should be interruptible and not be paid in the event the service is not provided.

A respondent proposed to apply an ex post discount to the virtual liquefaction tariffs, as otherwise it would be discriminatory.

Two respondents proposed to implement an interruptible LNG storage tariff, determined by the probability of interruption, in order to provide users of the disaggregated storage service a price signal when the tank level is high enough to prevent the unloading of a vessel.

• **Billing conditions**

Two respondents indicated that in case of feasible contracted/programmed discharges are not carried out for reasons attributable to the shipper, the fixed term will correspond to the size of the programmed and viable vessel.

Two respondents remarked the need implementing a billing for contracted and unrealized transactions attributable to the shipper, applicable to only variable tariffs, as is the case of the plant to ship LNG transfer, ship-to-ship LNG transfer and cooling tariffs.

A respondent indicated that the billing procedure for intraday products should be included LNG storage and truck loading tariffs.
A respondent remarked the confusion arising from the billing conditions for the aggregated products introduced in proposed tariffs and access Circulars.

Two respondents proposed that aggregated services should be billed by the holders of the facilities, with the exception of the LNG storage and regasification service that should be billed by the technical manager of the system.

Two respondents proposed to exclude truck loadings with not a national destination from the application of the transitional tariff of other regasification costs, in line with the proposed criterion for national demand.

A respondent considers that the transition tariff on regasification should be billed to shippers and direct market consumers and not to consumers connected to the transmission and distribution networks.

A respondent pointed the need of implementing a penalty over demanded capacity for the truck loading tariff, similarly transmission and regional tariffs.

- **Tariff period**

A respondent indicated that it is not necessary to apply the gas year to tariffs applicable to access to LNG facilities and showed a preference for the natural year justified by the correspondence to the commonly used products in the LNG market and similarly to France and other EU member states.

- **Applicable tariffs during the transition period**

A respondent requested to publish the proposed values for access tariffs applicable to LNG facilities during the convergence period.

On the other hand, a respondent questioned the validity of the proposed transition period, in which the reduction on the tariff levels are directly implemented and the increase on the regasification tariff is laminated, allocating it to demand.

### 3.5. Publication of tariffs

Some respondents (5) proposed to publish tariffs applicable to transmission network, regional network and LNG facilities at the same time, and at least 30 days prior to the start date of the annual auction of capacity, as provided for in Article 11.4 of Regulation (EU) 2017/459.

On the other hand, a respondent pronounced against the possibility of modifying tariffs after publication.
Finally, a respondent requested a regulation establishing that the CNMC shall publish the final tariffs and charges applicable to each service and, in particular, an aggregated value of the prices and charges applicable to end consumers’ demand

### 3.6. Settlement procedure

Some respondents (7) pointed out that the Ministry is responsible of settlement procedure.

Two respondents remarked that the elimination of current settlement framework is not justified and the treatment of potential deficits and surpluses during the transitory period is not fully described. Taking into account the above, and that the Ministry is responsible for the settlement procedure, they propose to remove the third additional provision.

A respondent indicated that the date of the final settlement must be changed in order to make it consistent with the gas year, proposing that the final settlement per activity for each year, to be made, before 1\textsuperscript{st} of September of the following year, considering registered items up to that date.

### 3.7. Updates of the methodology

Three respondents pointed the need to implement a mechanism that will enable the revision of the methodology when under/over recovery exceed 5% for two consecutive years, in order to ensure sustainability system and avoid the impact of deficit generation on the competitiveness of Spanish industry.

### 3.8. Transition period

In general, respondents (13) remarked the need to define an adequate transition period to adapt their systems to the new tariff structure, proposing some of them (3) a minimum period of 6 months and another a minimum period of 9 months, counting from the publication of the tariffs and charges methodologies and information exchange formats. In this regard, they noted the need of the CNMC approving the information exchange formats between shippers and distribution operator and requesting coordination to ensure the success of the implementation.

In addition, two respondents highlighted that regarding the settlements are not clear in the transition period.
On the other hand, a respondent indicated that the tariff applicable during the transition period (new or old) should be clearly, requesting the development of specific procedures for rebilling.

In relation to the above, some respondents (8) proposed not applying a transition period and delaying the entry into force to 1 October 2020.

On the same line, a respondent requested that during the transition period not modifying the way customers are billed.

Finally, a respondent pointed out the need to assess whether the transition period defined in the Circular is consistent with the third final provision of Royal Decree-Law 1/2019.

3.9. Entry into force

In general, the respondents who pronounced on this matter (16) pointed out that the proposed tariff model introduces a drastic change from the current situation, and hence should not be implemented before October 1, 2020.

In addition, a respondent requested that if a progressive implementation of the Balance and Access Circulars is needed, to delay the implementation of the Tariffs Circular until 1st of October 2020 and to apply temporarily the current tariffs.

Finally, some respondents (3) remarked the need of implementing as soon as possible single tank.

4. Other comments

4.1. Impact assessment of the Circular

Regarding the impact assessment included in the Consultation document complementary to the Circular proposal, respondents made the following observations:

- Some respondents (6) pointed out that the impact analysis on competition and competitiveness is insufficient, excessively simplistic and does not rely on any thorough study or analysis. In this regard, they noted the negative impact of the proposed tariffs on the competitiveness of LNG facilities, on industry, on small and medium companies, residential and public sectors, on the development of gas vehicles, as well as the promotion for the replacement of natural gas with other fuels and the disconnection of customers from the
network in favor of holding an LNG satellite facility, and expressed the lack of a specific report from the CNMC Competition Board.

- Some respondents (6) remarked that the impact analysis included does not contain an analysis on the administrative budget impact nor on the variation of economic flows for certain taxes.

- Several respondents (8) indicated that the impact analysis should include a more detailed analysis of the impact of the proposed methodology for each of the tariff groups established in the current tariff structure.

- A respondent indicated that the impact analysis should include the comparison between consumers supplied from the network and those supplied from an individual LNG satellite facility.

- Some respondents (6) indicated that from the impact analysis it can be concluded that tariffs may be insufficient to recover the allowed revenues, providing lower incomes than the marginal remuneration, as highlighted in the Ministry's report.

- A respondent indicated that an assessment on the impact of the Circular for natural gas stations should have been collected.

- Three respondents pointed out that the impact analysis provided has not taken into account the impact on consumers of the transition tariff of regasification.

- A respondent pointed out that the impact assessment provided is full of assumptions and simplifications and suggests reviewing the scenarios used, considering the evolution of tariffs resulting from the proposal.

- A respondent pointed out that the impact analysis appears to consider the proposals of the Remuneration Circulars, which seriously jeopardize the continuity of efficient, well-managed and necessary for supply companies, which could mean additional costs or alternatively, put at risk security of supply.

- One respondent pointed out that the proposed methodology promotes bunkering services, but on the contrary it harms the development of natural gas stations and requested the CNMC an additional effort for promoting development of these facilities.

- Three respondents remarked that, as a result of the proposed methodology, consumers supplied from an individual LNG satellite facility have lower tariffs than those supplied from the transmission-distribution network and request a readjustment to prevent consumers from disconnection from the network and the impact of such disconnections on tariffs.
4.2. Demand forecasts

Several respondents (10) highlighted the need to update the billing variables considered for regasification plants for the purpose of determining tariffs, since, in their opinion, the forecasts are based on 2019 and are lower than expected considering the volumes recorded in recent months, while national demand may be overestimated, as is taking as basis a cold year for projections.

A respondent pointed out that the contracted capacity and forecasted volume for Portugal should be reviewed, to the extent that it is considered an exporter, while in the past has been an importer, and that the implementation of the single tank is likely to reduce competitiveness of interconnections. In addition, it points to the need to review the allocation of capacity by physical entry point.

In addition, three respondents highlighted inconsistencies between the forecasted demand considered in the Remuneration Circular and the forecasted demand considered for the tariff Circular noting, in this regard, that either the allowed revenues or incomes from tariffs are overestimated, which could put at risk the financial sustainability principle.

Finally, a respondent pointed out that the proposed methodology is affected by the goodness of the forecasted billing variables, affecting the stability of tariffs and the sustainability of the system and indicating that only from rigorous estimations will provide reliable forecasts.

4.3. Implementation calendar

Some respondents (5) highlighted the need of publishing a detailed schedule for the implementation of the Access, Balance and Tariff Circulars, including a roadmap with milestones, amongst are: Virtual LNG tank, Slot booking, LNG storage billing, balance in TVB and AVB, disappearance of 85%-105% flexibility.

In this vein, two of them remarked the need for coordination of distributors and shippers, given the impact of the Circular on their operations and the need to adapt the IT systems, proposing an implement period to validate the proper functioning of the systems.

4.4. Remote metering

A respondent proposed extending remote metering for all consumers above 300 MWh, establishing a fixed term per capacity instead of per customer above that consumption.

Two respondents indicated the need of specifying the treatment for customers that according to the provisions of the Circular have now the obligation of
installing remote metering, while they did not have such obligation under current regulations, and specify the penalty applicable in cases of unavailability.

4.5. Modifications in the contracting conditions

Several respondents (8) pointed out the need of establishing in the Circular the possibility provided to shippers and consumers of modifying and, when appropriate, canceling the access contracts in force, which have been signed in accordance with current situations, noting one of them that the amendment should be possible close to when the new conditions come into force, in order to be able to advise consumers appropriately.

4.6. Rules against hoarding

A respondent highlighted the need to somehow prioritize storage allocation capacity to user who supply gas to final consumers versus other user of the LNG facilities, and proposed to keep the rule established on NGTS 3.6.1 until the Tariff Circular is in force.

Additionally, a respondent proposed to keep this rule until agents have the possibility of acquiring capacity in the tank.

4.7. Impact on current regulation

Several respondents (11) remarked the need of reviewing the Circular’s impact on current regulation. Particularly, the following aspects require modifications:

- Methodology applicable for determining the tariff of last resort (TUR).
- Specification of what group customers are qualified for TUR
- Penalties for not having remote metering available
- Procedures for balancing, partition and settlement of network losses
- Registration rights, connection rights, coupling and validation rights and periodic inspection costs
- Information files to be exchanged between distributors and shippers.

In this regard, two respondents requested an exhaustive analysis of the regulations that shall be modified and that, where appropriate, immediately proceed with the corresponding adaptions for the sake of legal certainty.

Finally, two respondents requested an additional section in the Impact assessment document, specifying the adaptations that shall be carried out by the Ministry and the regional administrations before the new tariffs come into force.
4.8. Coefficients applicable to distribution losses

Two respondents remarked the need to publish in the Circular the coefficients applicable to network losses applicable to the new tariffs.

4.9. Night consumption bonus

Two respondents indicated that it is necessary to clarify whether the night consumption bonus is applicable to the current tariff 3.5 and whether this bonus extends to all supplies.

4.10. International comparison

Some respondents (3) indicated that the allocation to the regional access tariffs of the allowed revenues for non-trunk primary and secondary transmission networks makes it difficult to make international comparisons of transmission and distribution tariffs, which allows verifying the impact of tariffs on the Spanish industry.

In the same vein, two respondents indicated that it needs to be taken into account that the regional network tariffs do not only consider exclusively distribution costs, but also other regasification costs, non-trunk primary transmission costs and secondary transmission costs, to avoid misguided conclusions about Spain’s distribution costs compared to the rest of the European countries.

4.11. Impact on gas intensive industries

Two respondents pointed to the possibility of creating the figure of gas-intensive consumer (already implemented in France) that, although it may not be strictly incorporated through the tariff methodology, signals could be provided for its creation by the relevant Administration.

4.12. Tariffs applicable at France interconnection point

Some respondents (6) highlighted the gas price differential in the Iberian market compared to the other European Union countries and suggest the elimination of interconnection tariffs for the purpose of gas markets integration, requesting the CNMC a strong position against the French regulator requiring a reduction in the interconnection tariffs with France.
4.13. Allowed revenue for the market operator

Several respondents (3) remarked that the allowed revenues for the market operator shall be allocated to shippers applying a fee as in other European countries.
ANNEX I. RESPONSES