



**SUMMARY OF RESPONSES TO THE PUBLIC
CONSULTATION REGARDING THE
PROPOSAL OF CIRCULAR X/2020 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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1. Subject matter

The present document is a summary of the responses to the public consultation regarding the Proposal of Circular X/2020 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 on 13 April of 2019.

The number of respondents that participated in the public consultation is 32, of whom 9 declared their response confidential.

Additionally, on 12 February 2020 the CNMC send to the National Regulatory Authorities of France (CRE) and Portugal (ERSE) a formal invitation to participate in the consultation process, in accordance with the provisions of article (28)(1) of Regulation (EU) 2017/460, in their condition of Member States directly connected to the Spanish system. It shall be noted that the CNMC has only received response from ERSE.

2. General comments

Several respondents (7) 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.

Some respondents (6) appreciated the consideration in the new proposal of several comments they made in the first public consultation process.

Additionally, some respondents (4) generally agreed with the methodology proposed highlighting two of them as especially positive the reduction of the level of multipliers applicable to contracts with less than one-year of duration.

One respondent agreed with the general principles set out in the Circular.

Two respondents considered the causality principle by which each consumer shall face the costs of the infrastructures they use (upstream) not achieved. One of them explained that the users of international connections do not cover the costs associated with security of supply. The other justified his opinion in the differences in the tariffs resulting from this second proposal of Circular versus the former.

A respondent appreciated that the consultation has been published in English and the effort made by the CNMC to compare the rates resulting from the methodology with the current charges.

Precisely, respondents expressed the following general considerations:

- *Procedure in the elaboration of the Proposal of Circular*

Certain allegations are about the procedure followed for the Proposal from the perspective of national regulations. Such responses, unrelated to the information on the tariff methodology referred to in article 26 of Regulation 460/2017, refer, in the case of one (1) agent, to the non-suspension of the hearing process. Other allegations refer to the need to establish an internal procedure for elaborating and approving Circulars or the requirement to comply with certain formalities provided in Spanish law on the hearing process.

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

One respondent considered the cost allocation methodology is incompatible with EU Regulation 2017/460 by discriminatory favouring LNG plants, being a law fraud.

Finally, one respondent pointed out that the CNMC 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 and hence the proposal is void.

- *Energy policy guidelines*

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

Generally, respondents (4) considered that the energy policy guideline regarding the promotion of the use of the facilities aiming to preserve the economic sustainability is not fulfilled.

Some respondents (5) signified that the fact that the tariffs for LNG activities do not reflect the contribution of this infrastructure to security of supply is against the energy policy guidelines.

Other respondents (6) pointed out that, contrary to the energy policy guideline stating that the design of the tariffs shall consider the industry competitiveness, the proposal of access tariffs resulting from the Circular penalizes industrial consumers, proposing two of them to introduce changes in order to reduce this impact. In particular, one respondent proposes to maintain the current tariff structure and reduce tariffs according to the reductions of allowed revenues for transmission, local network and LNG facilities, this way, he considers it will result

in an improvement of industrial competitiveness in accordance with energy policy guidelines.

One respondent criticized there has been no favouring of natural gas for vehicles.

- *Coordination in the publication of Circulars*

Two respondents pointed out the situation of uncertainty for all affected agents due to the fact that the new contracting scheme is still not known. 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.

One respondent signified that the tariffs design has an impact in the costs that distribution companies face, as well as in the retribution of the activity, and hence they claim both Circulars to be coordinated and the obligations derived from them to be conveniently considered in the remuneration scheme.

Three respondents expressed their doubts on the compliance with the principle of financial sustainability, as demand forecasts are different to those considered in the retribution Circulars.

Finally, two respondents considered that the CNMC should carry out a deep reflection in order to ensure that all its regulatory developments are accompanied in time and consistent with each other to avoid a collapse in the operation of the Gas System with unpredictable consequences. In addition, it has been pointed out the existence of an obvious lack of coordination and contradictions between the Circular Proposal and important technical rules which create regulatory uncertainty, and in compliance with the principle of better regulation the CNMC is obliged to carry out a thorough and in-depth analysis of sectorial regulations and coordinate it with the Circular Proposal.

- *Coordination with the Government regarding the methodology of charges*

In this regard respondents (6) 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 jointly assess the impact on consumers, shippers, transmission system operators and distribution system operators.

In this line, two respondents signified that the charges should have a similar structure to the access tariffs, while another respondent suggested that the methodology of the charges to be established by the Government should not be

applied on transmission tariffs in order to avoid a new consultation process, in accordance with European rules.

One respondent highlighted that in order to properly assess the Circular it is essential to know the values of the tariffs and the future methodology for determining charges of the system.

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

Finally, one respondent pointed out the need of applying the provision included in the Law regarding the application of a transitional 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.

- *Collaboration with other regulators and ACER*

One respondent remarked ACER's recommendation expressed in the report assessing the implementation of the NC TAR regarding the cooperation between ERSE and CNMC in the application of transmission tariffs, for example by removing the common VIP. With this purpose, this respondent proposed to establish a working group to study options on the application of transmission tariffs to foster market, including the possibility to remove the common VIP.

3. Particular Comments

3.1. 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 (2) remarked the convenience of defining the storage service in the virtual transmission point (PVB). One of them justified it in the need to provide greater flexibility to the system, and for the sake of consistency with the services defined in the Circular 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 valued the decision of allocating only the allowed revenues associated with the transmission network (trunk network) to transmission tariffs, considering that it avoids cross subsidies between national demand and the users of interconnections.

- *Methodology to determine the transmission tariffs*

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

Two respondents remarked that the application of the CWD methodology is not suitable for the Spanish system because, considering its maturity, it is not needed to provide locational signals, and because afterwards a single exit tariff for the national exits and a single entry tariff from LNG facilities is considered, suggesting one of them the levelling of entry and exit tariffs for international connection points.

One respondent challenged the merits of CWD methodology to provide efficiency signals as he considers that the price signals obtained are almost entirely related to the distances and not to the predominant gas flows.

In the same line, another respondent indicated that the average distance matrix does not adequately reflect the costs of the network nor its use, as it does not consider compression stations and it does not reflect the investment costs, and highlighted that the methodology does not reflect situations such as that the one of Galicia where transmission limitations prevent of guaranteeing demand in the Northwest of the Peninsula where the Mugaros storage and regasification plant is essential to ensure such supply.

One respondent 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.

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 highlighted the impact the CWD methodology on the entry point of Portugal, which difficult the integration of Portugal in the Iberian gas market, suggesting to reduce or to eliminate the transmission tariff of the interconnection between Spain and Portugal.

Regarding the entry-exit split, some respondents (9) highlighted the price differentiations amongst entry points and the potential impact on gas markets and the development of MIBGAS, pointing out some of them the need for harmonizing with neighboring countries, three of them suggesting an entry-exit split of 30%-70%, a fourth respondent 40%-60% and a fifth respondent 34%-66%. Finally, one

respondent proposed an alternative allocation method to determine the entry-exit split. Particularly, this respondent suggested to recover overcapacity transmission costs and those costs aiming to ensure an efficient level of competitiveness through exit tariffs which will result in a split between 35%-65% and 40%-60%.

Another respondent pointed out that it is not a neutral parameter and that it provokes an implicitly greater benefit to entries from LNG facilities.

However, one respondent indicated that exit tariffs through international connections points should be excluded in order to encourage the use of LNG facilities for exports.

Some respondents (4) proposed as an alternative to gradually converge over the tariff period to the proposed values.

One respondent pointed out the impact of considering the pipeline between the compression station of Córdoba and Almendralejo as unidirectional, requesting the confirmation of the nature of the referred pipeline with the technical manager of the system (GTS) and the justification for it being the only one-way pipeline of the trunk network.

One respondent pointed out that, in order to improve the operational efficiency of the system, and to promote the gas market in Spain against neighbouring countries, it is necessary that the international connection transmission entry tariffs (gas pipelines) be the same regardless of their location.

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.

- *Discount on entry tariffs from LNG facilities*

Several respondents (8) agreed on the introduction of a discount on entry tariffs from LNG facilities. However, several of them (7) considered the proposed discount insufficient, not complying with the energy policy guidelines and not reflecting the contribution of LNG facilities on the security of supply, proposing one respondent to raise the discount up to 28.9% due to the storage capacity the LNG facilities provide to the system and their contribution to the security of supply.

Two respondents (2) proposed to recover the deficit associated to the 13.9% discount on the capacity entry tariffs of the entry from LNG facilities, through the tariff of other regasification costs because it benefits the entire Gas system and,

consequently, it should not be paid exclusively by the other users of the other entry points.

On the contrary, two respondents are against this discount because, as one respondent considered, it jeopardizes a level playing field among Iberian LNG plants, modifying gas flows and has a detrimental effect for the Portuguese gas market and the development of MIBGAS. The other responded alleged that it is arbitrary and a strong discrimination against international connections. This last respondent has further stated that it considered it unnecessary to the extent that security of supply is guaranteed by the obligation to maintain minimum safety stocks regulated in Royal Decree 1716/2004.

- *Adjustments of tariffs*

One respondent pointed out that the leveling of prices of the entry tariffs to the transmission network from the LNG facilities and not interconnections puts at risk the use of the LNG facilities, indicating, in addition, that the leveling of prices for LNG facilities is not justified and penalizes Bilbao facility and its users, which is contrary to the efficiency principle.

Two respondents proposed the levelling of entry and exit transmission tariffs at international connection points or at least at international connection points from State Members in order to avoid penalizing the entrance from Portugal.

One respondent considers necessary to clarify whether the 100% discount on transmission tariffs is applicable to entry and exits to/from underground storages also applies the volume-based term.

One respondent proposed the exemption of transmission tariffs for injections in the transmission network of renewable gases and three respondents indicated that a discount should be included for such tariffs considering that Regulation (UE) 2017/460 allows it.

- *Short term multipliers*

One respondent agreed with the reduction of short-term multipliers because of its beneficial impact on the wholesale electricity market and the positive impact on competition.

One respondent proposed that the coefficients applicable to short-term contracts take the value of 1, in order to ease operation and to avoid penalizing consumers with certain peak demands.

Finally, some respondents (3) pointed out that short-term multipliers should be adjusted to the duration actually contracted, so that, if it has been contracted

every day of the month, or a significant majority of them, monthly multipliers are applied and not daily multipliers.

- *Interruptible capacity tariffs*

Three respondents indicated that the Circular should clarify that interruptible tariffs apply to any entry and exit point of the transmission network. Particularly indicating one of them that it should be clarified whether it applies to interruptible capacity, firm capacity or both, indicating that his opinion is that it should apply to both and, in any case, unused capacity should not be billed during an interruption.

One respondent considered the application or non-application of interruptible tariffs on international connections to Europe should not be addressed in this Circular because they are subject of Circular 3/2017 and EU Regulation 2017/459.

One respondent showed its preference for an ex ante discount for interruptible tariffs, as he considers 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. Additionally, they highlighted that the ex post discount will be applicable both to form interrupted capacity by a physical congestion and to contracted interruptible capacity after a contractual congestion situation.

- *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.

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

Several respondents (3) expressed the need to clarify the billing to consumers without remote metering but with the obligation to have a metering equipment that allows the daily registration of the maximum delivered capacity. Particularly they indicate the need to determine (i) to which consumers will affect, (ii) how to apply the mechanism, two of them (iii) the procedure in case the consumer has contracts with more than one shipper, and (iv) one respondent specifies that other consumers do not have any restrictions nor penalties for an excess of capacity demand.

Additionally, one of them indicated that it should be clarified the possibility for these consumers to overlap contracts.

Regarding the latter, three respondents proposed to apply the same procedure for billing the demanded capacity to consumers with an obligation to have equipment that allows the recording of the maximum capacity demand to the one applicable to consumers with remote metering.

One respondent pointed out the need to modify the Circular to ensure consistency between this Circular and Circular 8/2019 regarding the billing of exit tariffs to consumers from the virtual trading point (PVB).

One respondent pointed out the need to change the invoicing formula for intraday tariffs, since with the current formula the tariff for the same capacity product is directly proportional to the duration of the product.

One respondent proposed for short-term contracts to be re-invoiced at the end of the contracts, rather than having to wait up to a year to know the real cost of the contract.

- *Comparison with current transmission tariffs*

One respondent highlighted the negative impact of the proposed methodology over VIP Ibérico leading to an increasing cost of the access to the virtual balancing point of the Portuguese and Spanish markets.

3.2. Local network access tariffs

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

- *Subject matter*

Two respondents highlighted the need to clarify in the Circular that local network tariffs do not apply to consumers supplied from a satellite LNG plant, exclusive for such consumers.

- *Tariff structure*

Several respondents (4) indicated the need to apply a tariff independent of their consumption for certain type of consumers, such as combined cycles, in order to avoid uncertainty in the payment of tariffs. Nevertheless, the respondents did not agree neither on the tariff nor on the consumers to be considered. Three respondents proposed such measure for industrial consumers and for combined cycles connected to pressure networks greater than 60 bar with consumption

equal to or less than 50,000,000 kWh to apply them, by default, the tariff RL.9. Another respondent proposed to allocate power plants in the tariff group RL11, regardless of the actual level of consumption.

Two respondents (2) 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 both of them to differentiate, at least, between these pressure levels.

In this regard, one respondent indicated that the current tariff structure, differentiated by pressure level and volume of consumption, is more appropriate from the point of view of cost allocation and proposes to maintain it.

One respondent proposes to increase the consumption threshold of tariff group RL.1 in order to reduce the recurrent relocations of tariff group, either by unifying it with the RL.2 or by increasing it to 7,000 kWh/year.

Additionally, one respondent proposed to limit for these customers the billing of contracted capacity when they are not in operation due to technical restrictions.

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

A respondent indicated the need to assess that tariff structure has no impact on (i) the application of network losses, (ii) the application of consumption profiles to calculate balances and (iii) the application of the tariff of last resort (TUR).

- *Allocation of remuneration by pressure level*

Two 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 retribution to networks with a design pressure below than 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 a growth for networks with a design pressure below 4 bar.

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

Two respondents proposed to allocate more weight to the variable term. One 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*

One respondent indicated the existence of strong discontinuities at the border points between the tariff groups in unitary terms, being especially relevant in groups where the fixed term is billed in €/client.

- *Interruptible capacity tariffs*

Two respondents pointed out that Article 24 should include that interruptible tariffs must be billed by the owner of the facility.

One respondent considers that the cost of the interruption, in case it is attributable to a shipper, should be indexed to the price of the Spanish market, but not to HH nor NBP, as set out in the NGTS corresponding to those referred to in Article 24.3.i.

Another respondent considered that the interruptibility criteria should be eliminated, as they depend on the areas and conditions to be approved, affecting the competitiveness of enterprises within the same sector.

- *General conditions for the application of access tariffs to local networks.*

Several respondents (8) pointed out the need to modify Article 25 of the Circular in order to restrain only capacity reductions and not increases, in the case of indefinite duration contracts.

Another respondent stressed the need to allow greater flexibility to modify contracted capacity downwards within less than 12 months in order to respond to unforeseen circumstances.

Two respondents requested that agents should be able to reduce their contracted capacity to match the expected consumption.

- *Billing conditions*

- Consistently with what is indicated for transmission tariffs, several respondents (3) expressed the need to clarify the billing to consumers without remote metering but with the obligation to have a metering equipment that allows the daily registration of the maximum delivered capacity. Particularly it was indicated the need to determine (i) to which consumers will affect, (ii) how to apply the mechanism, two respondents (iii) the procedure in case the

- consumer has contracts with more than one shipper, and (iv) one respondent specified that other consumers do not have any restrictions nor penalties for excess demand.
- Two respondents (2) proposed to maintain the possibility for consumers with remote metering installed or with a metering equipment that allows the daily registration of the maximum delivered capacity to choose being billed by a client term or a capacity term.
 - Two respondents (2) 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.
 - Two respondents (2) considered excessive the penalty for the excess of the demanded capacity over contracted capacity, suggesting that this penalty should be reduced from 3 to 2.
 - Another respondent on the other hand, pointed out that this Circular penalizes much less the capacity demanded in this circular, reducing the multiplier from 5 to 3, compensating, in certain circumstances, the penalty. This Circular does not provide an explanation about this change. The previous Circular did provide a coherent criteria for this topic.
 - Two respondents (2) 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.
 - Several respondents (3) 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. One of them (1) indicated that this billing mechanism should be maintained at least up to 1 January 2021 in order to reduce the development of procedures and communication among companies, considering the impact of COVID-19.
 - Another respondent has pointed out that the elimination of the flexibility mechanism of 85%-105% will force users to book daily and intraday contracts based on their consumption forecast which will result in a cost to the contracting and billing systems.
 - Three respondents proposed to apply the same procedure for billing the demanded capacity to consumers with an obligation to have equipment that

allows the recording of the maximum capacity demand as the applicable one to consumers with remote metering.

- Two respondents proposed the possibility of transferring contracted capacity as well as having short-term capacity contracts, providing more competitiveness for industrial consumption.
- Two respondents considered it necessary to clarify the billing procedure for consumers without remote metering but with the obligation to have a metering equipment that allows the daily registration of the maximum delivered capacity, in accordance with the obligations established by the Government.
- Two respondents agreed with the exception for the payment of access tariffs to injections of renewable gases.
- One respondent considered that the exception for the payment of access tariffs to injections of renewable gases is discriminatory and they request the deletion of Article 18(3).
- Two respondents requested that, in the event that an agent contracts the same daily product during all calendar days of the month, the Mt multiplier coefficient to apply should be the corresponding multiplier to such month instead of the daily coefficient since this measure will encourage the contracting in the gas system and, therefore, a greater overall use of the system.
- One respondent pointed out that the provision set out in Article 25.3 regarding that re-billing shall be carried out by the shipper with whom the supply point has a valid access contract creates great uncertainty to the activity associated with possible subsequent defaults by the customer while the supply has not been done through the current shipper.

- *Allocation of customers in the new tariff groups*

Several respondents (4) requested that the transmission and distribution operators shall communicate to the suppliers well in advance the tariff group where their customers are located. One of them proposes to establish a transitional provision setting the obligation for transmission and distribution companies to communicate within one month of the entry into force of the Circular, the access tariffs applicable to each point of supply and that once such communication is made it cannot modify the associated tariff for a period of three months, and another respondent considers that the minimum advance should be 2 months.

Another respondent requested that the consumption to be considered for the allocation of domestic consumers (less than or equal to 5 GWh) shall take into account the twelve months following the activation of the contract with the supplier and their respective extensions, in order to apply the same tariff during the 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.

One respondent proposed not to modify the billing cycle of customers in the initial allocation of consumers, and given the impact of the alert state, to use as an overall criterion consumption of 2019, instead of 2020.

In addition, two respondents (2) requested the implementation of a voluntary selection of tariff group mechanism for the industrial customers in order they can request the allocation in a tariff group. In the event that they do not meet the expected consumption, they would be re-invoiced in the corresponding group.

Finally, one respondent pointed out the need to set a deadline for distributors to inform shippers about the reallocation of consumers in the tariff groups, proposing the 15th of December.

Two respondents (2) requested clarification about the procedure to be followed in case of rebilling and reallocation for new supply points.

Two respondents positively appreciated that re-invoicing to household consumers is avoided. However, they proposed to extend it to all consumers below a certain level of annual consumption, not associated to the obligation of having a particular metering equipment as, similar to the electricity sector, they will be extended to a greater number of consumers, proposing the limit of 300,000 kWh/year or at least 50,000 kWh/year.

Another respondent proposed firstly, to avoid reallocations during the gas year in the events of (i) new points of supply, (ii) contracts modifications of indefinite duration or (iii) change of tariff group by request of customers in the preceding gas year. Secondly, to avoid rebilling supplies connected to networks of design pressure equal to or less than 4 bar without the obligation of having a metering equipment that allows the daily registration of the maximum delivered capacity and to proceed with the reallocation of those connected to networks of design pressure greater than 4 bar and those connected to 4 bar or less and requiring remote metering, 12 months after (i) the subscription of new points of supply, (ii) contracts modifications of indefinite duration or (iii) change of tariff group by request of customers if the actual consumption resulting from adding all contracts, regardless the number and duration of them, recorded in those 12 months does not correspond to the applied tariff group.

One respondent indicated that the rebilling due to changes of tariff group should be performed by the shipper the consumer had at the time of consumption, and to not proceed with the rebilling in cases where the supply has been cancelled to prevent unrecoverable amounts for the shipper.

One respondent indicated that rebilling in addition to the local network access tariffs should apply to the tariff associated with the recovery of other regasification costs.

One respondent considered rebilling should not apply to daily and intraday capacity contracts, because of their negative effect on natural gas combined cycles, as they could require some kind of tariff-change risk premium in the electricity wholesale market.

Two respondents remarked the impact of re-invoicing for combined cycles.

In this sense, one respondent proposed to rebill short-term contracts upon completion according to the consumption that occurred during the duration of the contract disregarding the effects of overlapping contracts that may exist, in order to provide greater certainty for power generators when making their offers.

Another respondent pointed out that relocations represent a risk of potential claims of nearly one-fifth of its consumers each year, leading to an unacceptable operational cost and image deterioration for distributors.

- *Resulting tariffs of the methodology*

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

Five of them pointed out that this means a limitation in the development of new natural gas fuelling stations and jeopardizing the viability of the current ones, requesting some of them (4) to introduce a specific exit tariff for natural gas fuelling stations, similarly to what it has been done for the electricity sector. In addition, one of them highlighted the impact of billing for delivered capacity on natural gas fuelling stations as they have irregular consumption and depend on consumers demand.

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

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

3.3. Access tariffs for LNG facilities

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

- *Definition of services*

One respondent proposed to provide in the ship-to-ship LNG transfer service a differentiation in prices between operations using two docking points and operations using a single docking point, proposing a discount from the former in such a case. In this regard, he pointed out that this service should take into account part of the unloading facilities, part of the 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.

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.

One respondent indicated that uniform tariffs for LNG together with the Single Virtual Tank, which does not exist in any other country, is an artificially created advantage for LNG and eliminates competition among LNG facilities.

- *Tariff structure*

- A respondent considered it more appropriate for the virtual liquefaction tariff to be a variable term applicable to the natural gas MWh that virtually exit from the transmission network to the Virtual Balance Tank.
- Two respondents 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, proposing one of them a tariff consisting only of a variable term and recovering the cost of tank loading and road transportation.
- Two respondents remarked that the size of the vessel shall correspond to the contracted/scheduled and viable, in order to remove uncertainty and respect the spirit of the Circular.

- Three respondents indicated that, in the tariff design, in addition to trying to reflect costs, an attempt should be made to avoid strengthening incumbents, considering two of them that while the introduction of a variable term in the LNG storage tariff is a positive step, the value is not sufficient to limit entry barriers to new entrants and/or operators with small portfolios, while another respondent proposes, in compliance with the reflectivity principle, to variabilize regasification tariffs in order to promote competition.
 - A respondent indicated that loading of LNG from plant to ship, LNG transshipment and cooling down tariffs should have a fixed term in addition to the variable term.
 - A respondent pointed out the need to use GWh rather than LNG m3 for ship unloading tariff, in order to ensure consistency with the guarantee calculation and billing mechanism. This respondent also highlighted the need to indicate that the size of the vessel shall be determined by the maximum value between the contracted or scheduled or viable volume.
 - One respondent pointed out the need to remove the reference to shared vessels from the ship unloading tariff, in line with the Access Circular and the Balancing Circular.
- *Methodology for determining the tariffs applicable to LNG facilities*

In relation to the allocation methodology, several respondents (13) share the positive impact that LNG facilities provide to security of supply and flexibility and agree that part of the allowed revenues should be allocated to end customers. In this regard, the respondents made the following observations and proposals:

- One respondent has very positively valued that part of the regasification costs are not directly assumed by the operations carried out in the plants, in order to promote the international competition of Iberian regasification plants and also because the regasification plants contribute to the security of supply of all demand in Spain. However, considered that a higher proportion of costs could be allocated, taking into account the levels of use.
- Several respondents (4) considered that regasification tariffs should be reassessed to include security of supply and recovery of overinvestment.
- Along the same line, a respondent indicated that safety stocks correspond 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 recovering it through an entry tariff.

- In addition, two respondents proposed allocating security stock to national demand.
- Another respondent proposed that part of the allowed revenues for investment in regasification plants shall be collected through a global tariff to all users while reducing LNG facilities tariffs.
- 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 to exits from transmission and distribution network.
- One respondent considers that the costs allocated to other regasification costs tariff should be increased, taking into account the contribution to the security of supply and in accordance with the planning of the LNG facilities.
- Another respondent proposed to assign to a security of supply charge, at least, the overcapacity equivalent to the largest entry point of the Spanish Gas System, along with its corresponding associated storage capacity.
- 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 to allocate it to international entry points in proportion to its capacities and deducting it from the regasification cost to be recovered through regasification tariffs.
- Another respondent proposed allocating the costs associated with operations, maintenance and other regulated margins to the variable term to promote spot markets, competition and efficiency, and reduce entry and exit barriers for shippers.

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.

On the contrary, some respondents (3) pointed out that the allowed revenues of regasification activity must be fully recovered through the tariffs applicable to the

facilities users, otherwise a cross-subsidy between regasification and transmission and distribution activities will arise. In coherence, they are against the security of supply criteria. In addition, one of them referring to costs associated to El Musel stated that there is no difference from the costs point of view whether a facility is hibernated or not, and that continuity of supply remuneration does have a direct relation with investment costs.

One respondent proposed increasing the ship unloading tariff compensating this increase with a decrease in the regasification tariff in order to discourage the hiring of unused slots. Another alternative they proposed for this purpose is the introduction of a penalty for contracted and unused slots based on the corresponding loss through the storage, regasification and entry to the PVB tariffs if finally, a vessel does not enter.

Another respondent highlighted the importance of introducing an anti-hoarding mechanism proposing a penalty mechanism, such as 3 times the slot cost if it is returned between $m+1$ and $m+2$ or 5 times in $m+1$ when the slot is automatically lost and has not been returned or included in the last month's auction.

In this respect, another respondent pointed out that when a slot does not commit, for example, 2 months in advance, it can be re-marketed, questioning what price the slot may be resold at and whether any income received should be repaid to the original holder and whether the capacity holder should be able to continue to offer the slot for sale in the secondary market alongside the TSO.

In addition, a respondent, even positively valuing the proposed methodology and the effort made, pointed out the need to reduce tariffs on access to LNG facilities in order to increase the use of LNG facilities and competitiveness and value Spain's potential as an LNG logistics hub.

Regarding the unloading tariff, a respondent pointed out that an unloading time of 11.83 hours 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.

With this regard, several respondents (4) advised that reducing the truck loading tariffs may introduce an incentive for the disconnecting from the network for certain consumers, proposing an increase in truck loading tariff and other regasification costs tariff, and applying coefficients depending on the whether or not it is possible to connect to local networks.

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.

Regarding the methodology applicable for the allocation to *loading of LNG from plant to ship tariff*, one respondent agreed with it. However, they pointed out that it should be consistent with the remuneration scheme, otherwise it might not be sustainable.

One respondent proposed to allocate the costs associated with storage and regasification overcapacity to the transmission demand, in a similar way to the other sunk costs considered in the transitional tariff of other regasification costs.

Two respondents proposed the application of a discount coefficient on *aggregated services* aiming to promote its procurement.

- *Short term multipliers*

Two respondents positively valued the proposal of establishing a single intraday coefficient, however, one of them indicated that the value is very high and can influence on the price of the wholesale electricity market, so it proposes a maximum value of 3 and to be equal to the daily product for a duration between 23 and 15 hours, or to allow acquiring daily capacity on the gas day itself.

One respondent proposed instead increasing the daily tariff of LNG storage in order to incentivize longer-term procurement, indicating that it would have no negative impact on the price formation of the wholesale electricity market as they are more conditioned to short-term network tariffs.

Some respondents have proposed balancing short-term regasification multipliers with transmission multipliers as the proposed values may distort LNG competition with respect to gas per pipe in these horizons.

One respondent pointed out that the multipliers applicable to the services provided by LNG facilities should be as competitive as possible to ensure the competitiveness of Spanish plants, in order to promote the use of these plants.

Some respondents (4) highlighted the need to apply intraday multipliers to the truck loading service as Access Circular 8/2019 allows it.

Another respondent proposed applying to this service low short-term multipliers, close to 1, to discourage over-contracting, promote a more rational contracting, ensure that anti-hoarding mechanisms have an appropriate price, and encourage transferring capacity amongst users.

Finally, one respondent pointed out that short-term multipliers should be adjusted to the duration actually contracted, so that, if it has been contracted every day of the month, or a significant majority of them, apply monthly multipliers and not daily.

- *Interruptible capacity tariffs*

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

- *Billing conditions*

One respondent pointed out the confusion arising from the billing conditions for aggregated products referred to in the Tariff Circular and the Access Circular. They considered it appropriate to specify how billing is done when the flexibility of regasification and storage is used, indicating whether to use the contracted capacity or the capacity actually used.

Three respondents indicated that the other regasification costs tariff should be billed bimonthly for consumers who have bi-monthly periodicity in accordance with the provisions of RD 1434/2002. In addition, several respondents (4) indicated that the billing procedure should be clarified, proposing, two of them to explain the billing conditions.

One respondent expressed doubts regarding whether the other regasification costs tariffs applies to Loading of LNG from plant to ship, LNG transshipment, and cooling down or exports through international connections

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

Another respondent positively assessed the billing of LNG truck loading for distribution networks based on the capacity used.

One respondent proposed to include the premium resulting from the auction in the billing conditions.

One respondent indicated that it should be clarified how the imbalance in the virtual tank (TVB) managed in the virtual trading point (PVB) will be calculated during the transitional period, if there is no virtual liquefaction tariff until 1 October 2020.

3.4. Publication of tariffs

One respondent considers that tariffs cannot be modified after its publication.

Two respondents pointed out that as provided in Royal Decree 949/2001, it should be included that the Circular tariffs are maximum values.

One respondent indicated that it would be useful to know whether the CNMC will publish aggregate tariffs for transmission networks, access to local networks and other regasification costs tariff and whether the distributor shall also invoice them aggregated.

Some respondents (3) required the CNMC to publish tariffs and charges applicable to each service and, particularly, the aggregated value corresponding to tariffs and charges applicable to end consumers' demand.

One respondent indicated that in the event that the CNMC does not publish access tariffs for VIPs in early June 2020, potential adjustments s be applied to entry and exit tariffs of 2020, and if necessary 2021, to be made in accordance with Article 6.4 of Regulation (EU) 2017/460, via a rescaling factor.

3.5. Transitional period

In general, respondents (8) deemed insufficient the transitional period proposed in the Circular to adapt their systems to the new tariff structure, proposing some of them to postpone its implementation up to 1 October 2021. Nevertheless, other respondents proposed shorter deadlines such as 30 March 2021. Some respondents (3) without establishing a particular date, highlighted the need of a minimum period of 9 months from the publication of the tariffs and charges methodologies and information exchange formats, requiring to extend it to 30 September 2021. Additionally, one respondent establishes 30 March 2021 as deadline for the CNMC to publish the new information exchanging formats among transmission operators, distributors and shippers.

Several respondents (4) considered it reasonable that all aspects related to the wholesale gas market should be implemented as of 1 October 2020, in line with the provisions of the Access Circular. As regards retail aspects, they considered the previous date considered too ambitious, proposing one respondent to implement it on 1 January 2021, simultaneously with the entry into force of the new information exchange formats for the retail market, and the other respondent to delay the entry into force for final consumers, at least, until January 2021 and desirable by half 2021.

Additionally, one respondent pointed out the need for publishing those parameters that do not involve structural changes of the current tariff structure, such as multiplier coefficients.

Two respondents proposed to include a Provision in the Circular establishing that distributors and shippers, 30 days after the entry into force, shall submit a work programme with a detailed implementation schedule.

Another respondent indicated that it should have been considered that new tariffs enter in force with the new year gas, from 1 October 2021, in accordance with the billing cycle, so that all invoices issued between 1 October 2021 and 30 November 2021 can hold the current structure the period within the invoice includes consumptions of at least one day prior to 1 October 2021.

In the same line, a respondent requested that during the transitional period the way customers are billed is not modified, and particularly regarding the rule 85/105.

One respondent pointed out that when determining the transitional period, the impact of the methodology on the Iberian VIP and Portugal's situation in the European gas market should be considered, and given the circumstances caused by the propagation of COVID-19 the negative impact that may have on Portugal's economic recovery and consider applying another year in the transitional period.

One respondent expressed its concern because of the possible delay in the publication of the Circular and the Resolution with the tariff values preventing the orderly application the 1 October 2020.

In this line, another respondent pointed out the need for coordination of distributors and shippers, given the impact of the Circular on the operation of both and the need to adapt the computer systems, proposing the implementation of a testing period to validate the proper functioning of the systems.

3.6. Transitional convergence period

Some respondents (7) considered necessary to define in the Circular the methodology or procedure for applying "graduality" in the impact of the methodology. Two of them indicated that it cannot be evaluated by consumers and by companies in the sector to implement it within the appropriate timeframes.

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.

Three respondents pointed out that given the increase of entry tariffs to the transmission network resulting from the Circular with respect to the current tariffs and the evolution of transmission tariffs during the transitional period, they welcome the implementation of a convergence period.

One respondent proposed the application of tariff methodology to the prices resulting from the methodology for the year of gas October 25-September 26 and that the creation of a new transitional other transmission costs tariff, (for 6 years long), through which it is recovered the reduction of revenues.

Another respondent has proposed to limit price increases to a 10% and that the impact on demand caused by the COVID 19 health crisis can be spread over a period of economic recovery.

In the same vein another respondent mentioned that this period should be used to the maximum so that, the possible negative economic impacts of the new methodology are reduced to the maximum, especially in the next two years, considering the evolution of natural gas prices and the economic and social situation arising from the current health crisis.

3.7. Adjustments of contracted capacity

Several respondents (4) positively valued the possibility of adapting the contracted capacities at no cost, however, they requested clarification of the following points; (i) relinquish the whole or in part, (ii) services subject to such total or partial relinquish, (iii) time limits to relinquish, (iv) procedure.

One respondent requested to clarify in the First Transitional Provision that such adaptation applies to all services, and that the rule of the preceding 12 months only applies to the specific case of exit to a consumer.

Two respondents proposed that to ensure the loading in truck loading that feed distribution networks in the case shippers do not relinquish on their own initiative to their contracted capacities, the inclusion of a capacity reduction mechanism in those infrastructures where contracted capacity exceeds 95%.

3.8. Entry into force

In general, the respondents who made considerations on this matter (4) pointed out the impact of the health crisis caused by COVID 19, and proposed to postpone the entry into force of the new tariffs from the Circular at least to 1 January 2021, and ideally to 1 October 2021.

In this regard, one respondent requested to delay it in order to provide the needed time to adapt regulations and to maintain the priority for LNG unloading for agents with contracted regasification capacity, until the entry into force of the new tariffs arising from the Tariff Methodology Circular.

Two respondents proposed to plan workshops among the agents involved in order to clarify possible interpretative doubts after the entry into force of the Circular.

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:

- A respondent indicated that an assessment on the impact of the Circular for natural gas fuelling stations should have been included.
- A respondent indicated that the proposed tariff methodology will have an impact on national competition, contrary to what it is stated in the Circular.
- 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.

4.2. Demand forecasts

Some respondents (3) pointed out the impact that the crisis caused by COVID-19 will have on demand, and consequently on tariffs.

One respondent indicated agents' forecasts suggest that the actual storage volume is larger than forecasted.

4.3. Remote metering

One respondent considered that the identification of consumers with metering equipment that allows the daily registration of the maximum delivered capacity should be included in the information to be submitted by the technical manager of the System (Enagás GTS).

Another respondent indicated they are not aware of any obligation of having metering equipment that allows the daily registration of the maximum delivered capacity.

One respondent warned of a typo in Article 26.2 when including consumers of tariff groups RL.5 and RL.6 among those who are required to have remote metering equipment, indicating that, in the event it is not a typo, it should be regulated by an amendment to Article 49 of RD 1434/2002 and, in any event, provide a transitional period of at least 1 year so that such consumers can installed such equipment.

Some respondents (5) indicated the need to include the penalty in the event that an obligated consumer does not have the remote metering operational to the extent that the legislation in this regard is explicitly repealed, or at least clarify its regulation.

4.4. Modifications in the contracting conditions

Several respondents (4) pointed out the need of clarification regarding the possibility of modifying contracted capacity relating to the services to which it applies, the application to the duration of previous contracts and the procedure for doing so (deadlines and mechanism of application, time in advance, acceptance, etc.). With regard to the services to which it is applicable, one respondent considered that it should be limited to final consumers and exit tariffs of the virtual trading point (PVB).

One respondent proposed to include this provision in an independent transitional provision and to establish a period of three months from the entry into force of the circular.

One respondent proposed the CNMC should develop a standardized text by which shippers inform their clients about the new tariff structure.

4.5. Impact on current regulation

Several respondents (7) qualified as insufficient the impact analysis of the Circular on existing regulations highlighting the need to adapt certain issues, such as:

- Files for the Settlement procedure (2 respondents).
- Methodology applicable for determining the tariff of last resort (TUR). (1 respondent).
- Information that shall be included in invoices for final consumers (1 respondent).
- Specification of what group customers are qualified for TUR (1 respondent).

- Penalties for not having remote metering available (1 respondent).
- Codes for the Technical Management of the System (NGTS)
- Procedures for balancing, partition and settlement of network losses (3 respondents).
- Information files to be exchanged between distributors and shippers (2 respondents).

Additionally, some respondents indicated the need to incorporate the following aspects in the Circular:

- Two respondents requested the inclusion of an explicit mandate from the Technical Manager of the System to develop a proposal to modify the NGTS, in coordination with transmission operators, distributors and shippers.
- Two respondents pointed out the need to include a new transitional provision determining the applicable tariffs and billing procedure for local network tariffs to consumers who, without being qualified for TUR, are temporarily lacking supplier and are being served by the last resort supplier (CUR).

Finally, two respondents highlighted the Rule 85-105% set out in Royal Decree 949/2001 has not been explicitly repealed creating confusion, requiring clarification as to whether or not the rule is maintained. One respondent also requested clarification on the derogation of the night consumption bonus currently applicable to tariff 3.5 and the bonus in the terms of billing for consumers connected to satellite plants. Requesting, in addition, the inclusion of an repealing disposition naming the repealed rules or a table of equivalences.

4.6. Coefficients applicable to distribution losses

One respondent remarked the need to publish in the Circular the coefficients applicable to network losses applicable to the new tariffs.

One respondent expressed doubts regarding the application of network losses mechanism to the new structure by requesting a new detailed procedure.

4.7. Impact on gas intensive industries

Several respondents (4) pointed to the possibility of creating the figure of gas-intensive consumer (already implemented in France) that would be a very positive measure, although it may not be within the CNMC's competences.

ANNEX I. RESPONSES

