

# **REGULATION ON THE METHODOLOGY FOR THE REQUIRED REVENUE AND TARIFFS FOR THE ACTIVITIES OF THE NATIONAL NATURAL GAS SYSTEM (NNGS) OPERATOR**

## **SECTION I: GENERAL PROVISIONS**

### **CHAPTER I**

#### **Article 1. -Scope**

1. This Regulation, hereinafter the "Regulation", defines the methodology for the calculation of the Required Revenue of the Hellenic Gas Transmission System Operator S.A. "DESFA S.A." (hereinafter the "Operator") in connection with the Activities of the National Natural Gas System (NNGS), as well as the methodology for setting the tariffs for the charging of each Activity in accordance with the provisions of Articles 15 and 88 of Law 4001/2011 (hereinafter the "Law"), as in force and Article 61 of Law 4409/2016, as amended and in force, and in accordance with the provisions of Directive (EU) 2009/73 and Commission Regulation (EU) 2017/460 *establishing a network code on harmonized transmission tariff structures for gas* (hereinafter "Regulation 2017/460").
2. This Regulation specifies the criteria for the classification and categorization of services offered by the NNGS Operator, as well as the basic conditions to be considered when categorizing such services.
3. This Regulation shall not apply to the provision of services of general interest as defined in Article 68(2)(q) of the Law, nor to that part of the NNGS developed by a subsidiary of the Operator as defined in Article 67(1)(d) of the Law. Specific revenue and tariff issues not regulated by this Regulation and detailed rules for implementation shall be laid down in decisions of RAE.
4. The provisions of Regulation (EU) 2017/460 and the provisions directly applying the Union framework shall take precedence.
5. The provisions of this Regulation shall be interpreted and applied in accordance with the instructions and guidelines of RAE, in accordance with the general principles of the Union framework and European practices and in the public interest.

#### **Article 2. - Definitions**

1. The terms referred to in this Regulation shall have the meaning attributed to them in the Law and the regulatory acts adopted pursuant to it, as well as in Regulation 2017/460.
2. Any reference to an article or chapter shall be construed as a reference to an article or chapter of this Regulation, unless otherwise stated.
3. For the purposes of this Regulation, the following definitions shall apply:

- a. **Required Revenue and Tariffs Approval Decision**, RAE decision approving: the Allowed and Required Revenue, as well as the tariffs for Non-Competitive - Regulated Activities of the National Natural Gas System, in accordance with the provisions of Articles 2( 1) and (2), 15 and 88 of the Law, (b) the Allowed and Required Revenue, as well as the tariffs for the provision by DESFA of "Non-Transmission" services taking into account the provisions of Regulation 2017/460, and (c) the Allowed and Required Revenue, as well as the tariffs for activities that are understood as falling within the above Core Activities of the Operator, the exercise of which shall be imposed for reasons relating to security of supply, the liberalization and proper functioning of natural gas markets and the integration of transmission systems, in accordance with RAE's sovereign assessment of their feasibility and necessity and the conditions governing their provision, for a transitional period specified in Article 46 of this Regulation.
- b. **Required Socialization Revenue for the Basic LNG Facility Service**, the Socialization revenue for the Basic LNG Facility Service, as defined in Article 23.
- c. **Transmission Service Required Revenue**, the revenue for the Transmission Activity as defined in Article 22.
- d. **Required Revenue for the Basic LNG Facility Service**, the revenue for the Basic LNG Facility Service as defined in Article 23.
- e. **Basic LNG Facility Service** pertains to the unloading, temporary storage and regasification of LNG, as well as its injection into the NNGTS conducted at the LNG Facility.
- f. **LNG Ancillary Services**, the services in addition to the Basic LNG Facility Service, which are provided by the Operator at the LNG Facility on Revithoussa and following approval by RAE, shall be treated as regulated and included in the category of Basic LNG Facility Activity, on the basis of the criteria set out in Article 5 of this Regulation. The accounts for such ancillary services shall be kept in accordance with the accounting separation rules approved by RAE and shall be used to determine the Regulated Asset Base, if any, and the costs of providing such services. The main existing services provided by the Operator are set out in Annex B.
- g. **Short-term Application**, the Approved Application for firm or interruptible Transmission Services or the Approved Application for LNG Services or for Interruptible Services with a duration of less than three hundred and sixty five (365) consecutive days.
- h. **IFRS**, the International Financial Reporting Standards.
- i. **LNG Facility Activity**, the NNGS Basic Activity comprising the Basic LNG Facility Service and the Ancillary LNG Services.
- j. **Transmission Activity**, the NNGS Basic Activity relating to the Transmission Service.
- k. **Allowed Revenue**, the total annual amount approved by RAE for each service of the Non-Competitive/Regulated Activities for the purpose of recovering the cost of operating expenses, depreciation and achieving a reasonable return on the invested capital, less the revenue from services that have not been accounted for, as defined in Article 9.
- l. **Calculation Year**, the year preceding the first year of the Regulatory Period in which the Allowed Revenue of the Non-Competitive/Regulated activities of the Transmission Service and the Basic LNG Facility Service is calculated.
- m. **Self-constructed assets**, tangible assets constructed by the Operator, the acquisition cost of which includes all expenses for raw materials, consumables, capitalized labor costs and other costs considered necessary and intimately associated with the construction of the said assets, so that they can be constructed and put into commercial operation for the intended purpose.
- n. **Reserve Account, for the acquired auction price premium**, the separate account in which the acquired premium on the capacity reservation auction price is recorded.

- o. **Long Term Application**, the Approved Application for Firm or Interruptible Transmission Services, or the Approved LNG Application with a duration equal to or greater than three hundred and sixty-five (365) consecutive Days.
- p. **Average NNGS Tariff** shall be considered to be the weighted charge for year i of the Regulatory Period of calculation based on Transmission Capacity revenue for all NNGTS entry and exit points (*Entry and Exit Points*) expressed in €/kWh as calculated in Article 25(1).
- q. **Non-Competitive - Regulated Activities of the NNGTS**, the Transmission Activity and the Non-Transmission Services.
- r. **Non-Competitive - Regulated Activities of the NNGS**, the Regulated Activities of the NNGTS and the Regulated Activity LNG Facility.
- s. **Non-Regulated Services** are services which the NNGS Operator may offer to third parties under the legislative framework (European and national) and the framework set out in the Operator's certification decision, which are not regulated by RAE. These services shall be kept separate in accordance with the accounting separation rules approved by RAE.
- t. **Economically Neutral Project**, a NNGS connection or development project, the implementation of which does not increase the Average NNGS Tariff during the Average Charge Period.
- u. **Reserve price**, the auction starting price for capacity reservation where applicable:
  - i. at a transmission capacity auction point on the NNGTS;
  - ii. at the LNG entry point, which takes place within the framework of Annual LNG Planning;
  - iii. at the LNG facility, which takes place within the framework of Annual LNG Planning;

which is equal to the corresponding Reference Price.

In the case of an auction to reserve capacity on a short-term basis, the Reserve Price shall be equal to the product of the relevant Reference Price times the ratio of the number of Firm Days to the number of Days in the Year, times the relevant Short-Term Tariff as defined in Article 33.

In the case of a bundled product offered at a Transmission Capacity Auction Point, the Reserve Price shall be equal to the sum of the corresponding Reference Price and the corresponding Reference Price for each Standard Product involving Input/Offtake Transmission Capacity which applies to the system interconnected with the NNGS. In the case of an LNG Auction to reserve Bundled LNG Capacity as part of Annual LNG Planning, the Reserve Price shall be equal to the sum of the Reference Price applicable to LNG Gasification Capacity and the Reference Price applicable to Input Transmission Capacity at the LNG Entry Point.

- v. **Old Recoverable Difference**, the Recoverable Difference for the years 2006-2016 to be recovered through the domestic exits, as determined in accordance with Article 21.
- w. **Average Charge Period** means the period of twenty (20) years during which the financial effectiveness of a project is evaluated.
- x. **LNG Facility Socialization Rate** ("SocLNG"), the part of the Required Revenue of the Basic LNG Facility Service that may be recovered from the Users of the Transmission System Costs through a separate LNG Socialization Tariff.
- y. **Forecasted Contractual Capacity**, the estimated Firm Input/Offtake Transmission Capacity at an Entry/Exit Point, as notified by the Operator to RAE, expressed in (kWh/Day/Year).
- z. **Auction Premium**, the difference between the clearing price and the reserve price at a capacity reservation auction.
- aa. **First Regulatory Period**, the Regulatory Period 2024-2027 during which this Regulation applies for the first time, without prejudice to Article 46(2).

- bb. **Regulatory Period**, the time period for which the criteria and parameters for determining the Allowed Revenue of the Operator are determined.
- cc. **Correction Factor**, the sum of the adjustments to the Allowed Revenue for the calculation of the Required Revenue, as defined in articles 22 and 23.
- dd. **Reference Price**, the reference price is determined as follows:
  - 1. In the case of a Transmission Capacity Auction Point on the NNGTS, the Transmission Capacity Charge Factor ( $\Sigma\Delta M$ ) as defined in Article 3 of Regulation 2017/460 and as calculated in Article 30 of this Regulation.
  - 2. In the case of the LNG entry point , the Charge Factor for the Ag. Triada entry point ( $\Sigma\Delta M_{AGIA TRIADA}$ ) as defined in Article 29. In the case where gasification capacity is auctioned at the LNG Facility, the LNG Capacity Charge Factor ( $\Sigma\Delta Y$ ) as defined in Article 30.
- ee. **Transmission Tariff**, the Transmission Service tariff as defined in Article 29.
- ff. **Basic LNG Facility Service Tariff**, the tariff for the Basic LNG Facility Service, as defined in Article 29.
- gg. **Non-Transmission Services**, services provided by the Operator which meet the criteria in Regulation 2017/460 and Article 5 of this Regulation. These services do not include the services regulated by Regulation (EU) 312/2014 provided by the Operator of the National Natural Gas Transmission System. The main existing services provided by the Operator are set out in Annex B.
- hh. **Transmission Service**, involves the transmission of Natural Gas through a network of high pressure pipelines for the purpose of providing Natural Gas to Customers, excluding Supply, as well as the development, maintenance and management of the NNGTS.

### Article 3. -

#### **Objectives of the Regulation**

- 1. The Regulation for the calculation of the Allowed and Required Revenue of the NNGS Operator, as well as the Tariff Factors for the Basic Activities of the National Natural Gas System are in line with the binding principles of the EU framework and the guidelines set out in the national legislation, in order to ensure, on the one hand, the security of supply and the provision to Users of high-quality services in terms of cost-effectiveness, efficiency and transparency, on the other hand, the ability of the NNGS Operator to recover the costs it incurs in the context of fulfilling its duties, in terms of cost-orientation and efficiency and bearing in mind its long-term ability to perform its mission. Specifically, it aims to ensure that:
  - a. the NNGS Tariffs reflect reasonable cost, the efficient and reciprocating nature of the services provided and the functioning of the NNGS and a reasonable level of predictability of the Tariffs.
  - b. the viability and financial capacity of the NNGS Operator is maintained by ensuring that the Operator has the necessary funds to:
    - Cover its reasonable and efficient operating expenses.
    - Implement and recover the necessary investments approved in accordance with the provisions of the NNGS Network Code and the applicable legislation.
    - Achieve a long-term reasonable return on capital employed.
  - c. Provide incentives to the NNGS Operator in order to improve the efficiency and reliability of the NNGS, the quality of the services provided to NNGS Users, the smooth functioning of the energy market and the security of the country's supply, in

accordance with Article 15(2) of the Law and the interconnection between gas networks.

- d. Ensure a transparent, fair and objective framework for determining the Operator's Revenue and the NNGS Tariffs.
- e. Ensure a better understanding among NNGS Users in relation to Tariffs relating to both the Transmission Service and the Basic LNG Facility Service and in particular how they are to be set and changed.

#### Article 4. - **General principles**

1. The provision by the NNGS Operator of the Non-Competitive - Regulated Activities of the NNGS, i.e. the Transmission Activity and the LNG Facility as well as the Non-Transmission Services under conditions of efficiency and economic efficiency, serves the public interest.
2. To this end, the Greek natural gas system operator must take all appropriate measures to ensure that it is proven to have at its disposal on a continuous basis all the resources necessary for the effective and efficient performance of its tasks. Furthermore, DESFA S.A. must maintain the cash reserves required for carrying on the Core Activities and the responsibilities arising from its capacity as Operator of the NNGS, as well as the cash guarantees of Users and the Security of Supply Account.
3. The performance by the Operator of its duties related to the above Core Activities is fully prioritized over any other business initiative. In this regard, DESFA S.A. is obliged to ensure and demonstrate that the assumption of other activities, investments, holdings or services does not affect the carrying on of regulated activities, does not create a burden for NNGS Users nor does it risk DESFA S.A.'s ability to respond appropriately to the requirements arising from its capacity as NNGS Operator.

For these Reasons, the provision of services and the undertaking of activities and investments - holdings that lie beyond and outside the Core Activities of DESFA S.A. are implemented through a separate legal entity, which bears all the relevant costs and risks.

#### Article 5. - **Principles of service distinction**

1. Non-Competitive - Regulated Activities provided by the NNGS Operator are divided into:
  - a. Transmission activity.
  - b. LNG Facility Activity, with a further distinction in the Basic LNG Facility Service and the Ancillary LNG Services.
  - c. Non-Transmission Services.
2. The unbundling of the above activities performed by the Operator aims at:
  - a. Harmonization with the European and national legislative and regulatory framework.
  - b. Strengthening the objectives set out in the Regulation for the revenue and tariffs of the NNGS Operator, with emphasis on the transparency of the calculation of the tariffs of the services provided and the avoidance of cross-subsidies.

3. The inclusion of a service in the category of regulated Non-Transmission Services requires at least the following:
  - a. The service is not part of the Transmission activity or a non-regulated service.
  - b. This is a service inextricably linked, necessary or ancillary to this Transmission service.
  - c. The provision of the service entails the use of fixed assets of the Transmission service, which are fully unbundled and do not burden the Transmission service.
  - d. The beneficiaries of the service provided are the Users of the NNGS.
4. The designation of a service as an LNG Ancillary Service requires at least the following:
  - a. This is a service closely linked, necessary or ancillary to this Basic LNG Facility Service.
  - b. The provision of the service entails the use of fixed assets of the Basic LNG Facility Service, which are however fully unbundled in accounting terms and do not burden the LNG service.
  - c. The beneficiaries of the service provided are LNG terminal users.

## **SECTION II: CALCULATION OF THE REVENUES FOR THE TRANSMISSION ACTIVITY, LNG FACILITY ACTIVITY AND NON-TRANSMISSION SERVICES**

### **CHAPTER II GENERAL PRINCIPLES FOR DETERMINING THE REVENUE OF THE OPERATOR**

#### **Article 6. - Regulatory Period**

1. The Regulatory Period has been set at 4 years.
2. The first Regulatory Period during which this Regulation applies for the first time is the period from 1 January 2024 to 31 December 2027.

#### **Article 7. - Price Basis**

1. All figures defined in this Regulation shall be calculated at nominal values.
2. The figures for the budget parameters used for the calculation of the Allowed Revenue are initially set at fixed values in the Calculation Year and are reduced to nominal values as

specified in paragraph 3 of this Article. These are the following parameters for the Allowed Revenue:

- a. operating expenses, both controllable (parameters  $OT^i$  and  $OL^i$  in Article 10) and non-controllable (parameters  $UT^i$  and  $UL^i$ ) in Article 10);
  - b. the estimated revenue from other Regulated and non-Regulated Services (parameters  $YT_i$  and  $YL_i$  in Article 10);
  - c. new investments and investments under way in accordance with the provisions of Article 17;
  - d. the budgeted necessary Working Capital (parameters  $WCL_i$  and  $WCT_i$  in Article 15).
3. The following principles shall be clarified:
- a. The residual value of the Regulated Asset Base in the last year for which ex-post data are available (the second year before the Calculation Year) is expressed in nominal values (i.e. the acquisition prices of the assets that comprise it), and inflation is not applied to this value. The initially estimated investments, invested capital for works in progress and fixed asset withdrawals for the year preceding the Calculation Year as well as for the Calculation Year are also expressed at nominal values (i.e. at the nominal value of the relevant year).
  - b. Depreciation budgeted for new assets which are expected to be generated in the next Regulatory Period (and for those estimated for the Calculation Year and the year before the Calculation Year) is calculated from investments and invested capital already expressed in nominal terms (based on paragraph 2(iv) and paragraph 3(i) of this Article). Therefore, no inflation is applied to the resulting depreciation, nor is it necessary to calculate depreciation first at constant prices and then inflate it.
  - c. The degressive value (at constant prices) of the Regulatory Asset Base due to inflation in the following years is remunerated using a nominal WACC in accordance with Article 19, so there is no need to apply inflation to the value of fixed assets in the RAB and depreciation.
4. The reduction to nominal values of the parameters for calculating the Allowed Revenue referred to in paragraph 2 of this Article for each year of the Regulatory Period, is carried out on the basis of the forecasted annual average Consumer Price Index (AvgCPI) estimated by authoritative domestic (Bank of Greece, Ministry of Finance) or international (European Commission, International Monetary Fund) organizations and agreed in each case with RAE.
5. The difference arising in the Allowed Revenue of each year of the Regulatory Period due to the deviation between the projected and the ex-post annual AvgCPI shall be settled in accordance with Articles 22 and 23.

## Article 8. - **Data verification**

1. The Operator shall ensure that:
  - a. Any ex-post data used in calculations specified in this Regulation must be obtained from audited, valid and objective reports or publicly available information about the company and must be based on the Accounting Separation Rules which apply to the Operator. The sources of the relevant data include, without limitation, the unbundled financial statements resulting from the application of the Accounting Unbundling Rules applicable to the Operator, the Fixed Asset Regulatory Register and the financial statements resulting from the application of the International Financial Reporting Standards (IFRS).

- b. The variables or parameters used in the above calculations shall be adequately documented and based on clear and objective assumptions supported by adequate documentation from the relevant sources of information.
2. The Operator shall also be obliged to ensure that the information submitted to comply with this Article has been audited or verified by the Operator's certified public accountants or other independent natural or legal person.
3. The obligation of audit or verification by a Certified Public Accountant or other independent person does not remove the responsibility of the Operator to prepare and submit the required information, nor does it entail the assumption by the Certified Public Accountant or other independent person, instead of the Operator, of any responsibility for any errors or omissions in the information. The Operator shall also ensure that the supervisory role of RAE is facilitated with regard to the Authority's access to such data and the ability of the certified public accountant or the independent person to provide information.
4. Audit or verification reports should cover (but are not limited to) the following matters:
  - a. The level of operating expenditure, the separation of operating expenditure into controllable and non-controllable expenditure and the separation of controllable expenditure by category of operating expenditure and/or on the basis of criteria laid down by RAE.
  - b. The amount of capital expenditure (including investments implemented with third party financing), its separation by category of capital expenditure and/or on the basis of criteria set by RAE and the transfer or allocation of fixed assets (if any) between the individual Regulated Services of the NNGS, or between the Operator and related companies.
  - c. The policy of capitalizing the Operator's expenditure and ensuring that the classification of expenditure into operating and capital expenditure does not change within the Regulatory Period and any change in this policy between Regulatory Periods shall take place after approval by RAE.
  - d. The revenues of the Regulated Services of the NNGS and deviations from the approved Required Revenues, as well as the profits from Non-Regulated Services.
  - e. The Fixed Asset Regulatory Register and the status of the Regulatory Asset Base.
  - f. The manner in which shared costs are allocated between the various Operator Services in accordance with the accounting separation rules approved by RAE.
  - g. Transactions with associated companies

## Article 9. - Operator Allowed Revenue

1. The Allowed Revenue (AR) for the Non-Competitive - Regulated Activities of the NNGS is the sum of the Allowed Revenue of the Regulated Activities of the NNGS and the Regulated LNG Facility Activity.
2. In particular, the Allowed Revenue for Non-Competitive - Regulated Activities of the NNGS is determined on the basis of the following formulas:

$$AR_{PYII}_i = AR_{MET}_i + AR_{Y\Phi A}_i$$

$$AR_{MET}_i = AR_{YME}_i + AR_{YMM}_i$$

$$AR_{Y\Phi A}_i = AR_{YY\Phi}_i + AR_{IIY\Phi}_i$$



Where:

**ARPYI<sub>i</sub>** The Allowed Revenue for the Regulated Activities of the NNGS for year *i* of the Regulatory Period.

**ARMET<sub>i</sub>** The Allowed Revenue of the Regulated Activities of the NNGTS for year *i* of the Regulatory Period.

**ARYΦA<sub>i</sub>** The Allowed Revenue of the Regulated Activity of an LNG Facility for year *i* of the Regulatory Period.

**ARYME<sub>i</sub>** The Transmission Service Allowed Revenue for year *i* of the Regulatory Period calculated and recovered via the NNGTS Usage Charges in accordance with this Regulation.

**ARYMM<sub>i</sub>** The Non-Transmission Services Allowed Revenue for year *i* of the Regulatory Period, which is set and recovered via separate Tariffs from the users of the respective services as approved each time by a decision of RAE.

**ARYYΦ<sub>i</sub>** The Allowed Revenue for the Basic LNG Facility Service for year *i* of the Regulatory Period, calculated and recovered via the Tariffs for the LNG Facility, in accordance with this Regulation.

**ARIIYΦ<sub>i</sub>** The Allowed Revenue of the Ancillary LNG Services for year *i* of the Regulatory Period, which is set and recovered via separate Tariffs from the users of the respective services, as approved from time to time by RAE decision.

3. The present Regulation defines the Methodology for calculating the Allowed and Required Revenue and the Tariffs for the Transmission Service and the Basic LNG Facility Service, as well as the basic principles for calculating the Revenue for Non-Transmission Services and Ancillary LNG Services. The Methodologies for calculating the Tariffs for Non-Transmission Services and Ancillary LNG Services are described as a more general framework of principles in Article 26.
4. The amounts recovered via the Required Revenue for the Transmission Services and the Basic LNG Facility Service and their relevant Tariffs relate exclusively (without prejudice to the cases set out in this Article below) to the respective deviations between the initially approved Allowed Revenue and the corresponding ex-post data for each Service separately. The amounts recovered via the Required Revenue for the Transmission Service and the Basic LNG Facility Service may not relate to other Services, nor may deviations between the initially approved Allowed Revenue and the corresponding ex-post data for another Service be offset (with a positive or negative sign) thereon, unless expressly provided for in this Regulation; and in particular in the following cases:
  - a. the LNG Facility Socialization Rate, in accordance with the provisions of Article 20
  - b. the Old Recoverable Difference, as defined in Article 21.
  - c. the Non-Regulated Services, a percentage of whose net profit is transferred to the benefit of Users of the NNGS, in accordance with the provisions of Articles 22 and 23.
  - d. to other revenues acquired from services which are not unbundled in accounting terms under the Operator's Accounting Unbundling Rules, in which case the costs related to the provision of the relevant services have been charged to the Regulated Transmission Services and/or Basic LNG Facility.

- e. the LNG Truck Loading Service and the LNG Loading Service on small-scale LNG vessels, in accordance with Article 26(13).

### **CHAPTER III ALLOWED REVENUE FOR TRANSMISSION AND BASIC LNG FACILITY SERVICES**

#### **Article 10. -**

#### **Allowed Revenue for the Transmission Service and Basic LNG Facility Service**

1. The calculation of the Allowed Revenue of the Operator for the Transmission Service and the Basic LNG Facility Service is made before the beginning of the Regulatory Period and for each year  $i$  thereof, in accordance with the following formulas:

$$\mathbf{ARYME}_i = \mathbf{ARYME\_En}_i + \mathbf{ARYME\_Ex}_i$$

$$\mathbf{ARYME\_En}_i = \mathbf{IIE\%} \times (\mathbf{OT}_i + \mathbf{UT}_i + \mathbf{DT}_i + \mathbf{RT}_i - \mathbf{YT}_i)$$

$$\mathbf{ARYME\_Ex}_i = (1 - \mathbf{IIE\%}) \times (\mathbf{OT}_i + \mathbf{UT}_i + \mathbf{DT}_i + \mathbf{RT}_i - \mathbf{YT}_i) + (\mathbf{socLNG} \times \mathbf{TARYY\Phi}_i) + \mathbf{oldRD}_i$$

$$\mathbf{ARYY\Phi}_i = \mathbf{TARYY\Phi}_i \times (1 - \mathbf{socLNG})$$

$$\mathbf{TARYY\Phi}_i = \mathbf{OL}_i + \mathbf{UL}_i + \mathbf{DL}_i + \mathbf{RL}_i - \mathbf{YL}_i$$

Where:

**ARYME<sub>i</sub>** The Allowed Revenue for the Transmission Service for year  $i$  of the Regulatory Period.

**IIE%** The percentage of the cost allocated to the Entry Points of the Transmission System, in accordance with the provisions of Regulation 2017/460. The remaining part of the cost  $(1 - \text{IIE}\%)$  is allocated to the Exit Points of the Transmission System.

**ARYME<sub>Eni</sub>** The Allowed Revenue for the Transmission Service at the Entry Points of the Transmission System as allocated by  $\text{IIE}\%$ , in accordance with the provisions of Regulation 2017/460.

**ARYME<sub>Exi</sub>** The Allowed Revenue for the Transmission Service at the Exit Points of the Transmission System. The part of the cost allocated between the Exit Points of the Transmission System shall be allocated by percentage  $(1 - \text{IIE}\%)$ , in accordance with the provisions of Regulation 2017/460.

**ARYY $\Phi$ <sub>i</sub>** The Allowed Revenue for the Basic LNG Facility Service for year  $i$  of the Regulatory Period, which is calculated and recovered via the Tariffs for the LNG Facility.

**TARYY $\Phi$ <sub>i</sub>** The total Allowed Revenue for the Basic LNG Facility Service for year  $i$  of the Regulatory Period, calculated and recovered as a percentage  $(1 - \text{socLNG})$  from the LNG Facility Tariffs and as a percentage of  $\text{socLNG}$  from the Transmission Service Users, through a separate LNG Socialization Charge at the Transmission System Exit Points.

- OT<sub>i</sub>/OL<sub>i</sub>** The estimated reasonable annual and efficient controllable operating expenses for reference year *i* relating respectively to the Transmission Service and the Basic LNG Facility Service, in accordance with Article 12.
- UT<sub>i</sub>/UL<sub>i</sub>** The estimated annual non-controllable operating expenses for reference year *i* relating respectively to the Transmission Service and the Basic LNG Facility Service, in accordance with Article 13.
- DT<sub>i</sub>/DL<sub>i</sub>** The estimated annual depreciation for reference year *i* of the fixed assets in the Regulated Asset Base (RAB) of the Transmission Service and the Basic LNG Facility Service respectively, in accordance with Article 14.
- RT<sub>i</sub>/RL<sub>i</sub>** The allowed return on the capital employed for the Transmission Service and the Basic LNG Facility Service determined as the product of the following parameters:
- i. the estimated value of the RAB for reference year *i* in accordance with Article 15 and
  - ii. the nominal pre-tax percentage return rate (rRAB) in accordance with Article 19.
- YT<sub>i</sub>/YL<sub>i</sub>** The estimated revenue for reference year *i* from other Regulated and non-Regulated Services related respectively to the Transmission Service and the LNG Service, in accordance with Article 8(d)(4) of this Regulation.
- SocLNG** The Socialization Rate for the LNG Facility, i.e. the part of the Allowed Revenue of the Basic LNG Facility Service that can be recovered from Users of the Transmission Service through a separate LNG Socialization Charge at the Exit Points of the Transmission System, in accordance with Article 20.
- oldRD<sub>i</sub>** The Old Recoverable Difference, as determined in accordance with Article 21.
2. The Allowed Revenue for the Transmission Service and the Basic LNG Facility Service shall be determined for each year *i* of the Regulatory Period by the Required Revenue Approval Decision and the Tariffs issued by RAE before the beginning of the Regulatory Period.
  3. In order to smooth out as much as possible fluctuations in the Operator's Allowed Revenues or Tariffs within the Regulatory Period, the values of the Allowed Revenues for each year *i* of the Regulatory Period may be adjusted at the request of the Operator or at the initiative of RAE, provided that:
    - a. the present value of the initially calculated Allowed Revenue during the Regulatory Period is equal to the present value of the adjusted Allowed Revenue during the Regulatory Period, calculated with a discount rate being the nominal pre-tax percentage return, calculated in accordance with the provisions of Article 19; and
    - b. the Operator's ability to finance its activities in an effective manner is not undermined.

## Article 11. - Operating Expenses

1. The operating expenses included in the Allowed Revenue of the Transmission Service and the Basic LNG Facility Service for each year of the Regulatory Period are the reasonable

and efficient costs of the Operator and which are deemed necessary for the smooth management, operation and maintenance of the NNGS in an efficient, cost-effective and reliable manner and which is beneficial for Users.

2. Depending on the degree of control exercised by the Operator, operating expenses are divided into expenses which the Operator can control (Controllable Operating Expenses), as well as expenses which the Operator cannot control (Non-Controllable Operating Expenses), as set out respectively in Articles 12 and 13.
3. Regulated Operating Expenses do not include:
  - a. financing costs as well as interest and/or rent from long-term finance leases;
  - b. taxes on the Operator's profits;
  - c. unreasonable or increased profit margins for services or goods that may be provided by an affiliate of the Operator;
  - d. provisions to cover risks, such as provisions for bad debt, or provisions for litigation and other claims, or provisions for expenses relating to compensation or employee benefits;
  - e. Any costs which are reasonably considered not to be reciprocating to the Transmission System and LNG Users and which are not within the Operator's remit in accordance with the relevant provisions of Law 4001/2011.
  - f. the part of the operating costs financed by any subsidies and grants received by the Operator in relation to the Transmission Services and the Basic LNG Facility Service and the performance of its relevant activities.

## Article 12. -

### **Controllable Operating Expenses**

1. The reasonable and effective Controllable Operating Expenses of the Transmission Service and the Basic LNG Facility Service shall be determined taking into account:
  - a. the submitted recommendation of the Operator for the Allowed Revenue for the Transmission Service and the Basic LNG Facility Service, where the estimated operating expenses for each Service are separately mentioned per year of the Regulatory Period.
  - b. the most recent available unbundled financial statements of the Operator, from which operating cost ex-post data are derived.
  - c. information on the Controllable Operating Expenses incurred, broken down by category of expenditure as defined in paragraph 2 of this Article, and on the basis of criteria laid down by RAE, and on the Non-controllable Operating Expenditure incurred, in accordance with Article 13, in accordance with the unbundled financial statements of the Operator and verified by a certified auditor.
  - d. the investment plan of the Operator, in accordance with the approved NNGS Development Plan, as well as the development of investments and their impact on the operating and maintenance costs of the NNGS.
  - e. the results of special audits assigned to independent consultants.
  - f. benchmarking of the operation of other Transmission System Operators in the European Union, either overall or for specific categories of expenditure, taking

into account the specificities of the NNGS and any differences between it and the transmission and LNG systems of other operators.

- g. results of any Public Consultations on specific issues that significantly affect the operating costs of the Transmission Service and the LNG Facility Service.
  - h. the need to continuously improve the level of effectiveness of the LNG Transmission and Facility Services, as well as the need to converge towards the economically optimal levels regarding the efficiency of the NNGS and the quality of the services provided.
2. Controllable operating expenses include the following categories:
- a. Payroll: the payrolling cost of ordinary and extraordinary staff and management, broken down for each of the three categories into gross ordinary pay, additional pay, employer contributions, overtime and shifts, expenses to cover the cost of travel away from normal place of work and related staff benefits. For this latter category in particular, a breakdown must be provided of the type and estimated cost of the higher benefits in terms of value, and the framework from which they derive (legislative provisions, collective agreements or management decisions).
  - b. Third party fees: the cost arising from contracts entered into by the Operator with third parties in the context of the functions it performs.
  - c. Third party expenses: the costs related to the services that the Operator receives from third parties
  - d. Materials and consumables: all costs of the Operator in terms of materials and consumables required in the context of the Transmission Service and the LNG Facility Service.
  - e. Other expenses: expenditure not included in any of the above categories in this paragraph which is intimately associated with the Operator's operations.
3. The determination of the reasonable and efficient controllable operating expenses for the Regulatory Period is primarily based on the ex-post data of the Operator, based on the approach described in this paragraph. Using this approach, which can be used for all Controllable Operating Expenses or for specific categories of expenditure, RAE must evaluate the following based on a detailed, documented recommendation from the Operator about all the following parameters:
- a. **The baseline controllable operating expenses.** These are estimated on the basis of ex-post data for the controllable operating expenses of the most recent available year of the previous Regulatory Period (the second year before the Calculation Year), while the Operator's estimates for the amount of controllable operating expenses for the last two years of the previous Regulatory Period are also taken into account. Where ex-post expenditure in the last available year is significantly affected by an isolated event, or is not considered representative of the normal operation of the NNGS, then the operating expenditure of an alternative year, or the average of successive recent years, may be used. The audited base operating expenses shall be assessed for their reasonableness using the data and techniques referred to in paragraphs 1, 2 and 4 of this Article.
  - b. **Trends and rate of change in controllable operating expenses.** The projected rate of change of controllable operating expenses during the Regulatory Period, taking into account the years of the previous regulatory period. The rate of change may include the following factors:
    - **Inflation.** Operating expenses are generally assumed to increase in line with annual inflation. Therefore, the base controllable operating expenses are

adjusted to current values taking into account the annual change in the AvgCPI since the last available year of the previous Regulatory Period (or from the year or years that have been used as representative of the cost for the base expenses).

- **Actual basic resources' prices.** Projected increases in actual prices of significant elements of operating costs that may change at a rate that deviates significantly from the AvgCPI. In order to calculate the adjustment required for this parameter the following are required: determination of the categories of expenditure to be examined and, where appropriate, separation of each category of expenditure (if there is a suitable inflation rate for these categories of expenditure); calculation of inflation for each category of expenditure, with reference to relevant indicators issued by an independent body, e.g. the Hellenic Statistical Authority; calculation of actual adjustment for each category of expenditure by comparing the inflation forecast per category of expenditure with the AvgCPI; definition of weighting per category of expenditure to calculate the total adjustment for changes in actual prices of basic resources for each year of the Regulatory Period.
  - **Increase in the volume of activity.** Any expected change in the operating costs of the Transmission Services and LNG Facility as a result of changes in the increase of investments, demand, the number of Users or other factors affecting the operating costs of the Transmission and LNG Facility Services. In order to estimate this factor, the Operator shall evaluate historical data as well as forecast data regarding the relationship between the cost drivers and the operating expenses of the LNG Transmission and Facility Services.
  - **Increased productivity.** The cost savings in the Controllable Operating Expenses that the Operator is reasonably expected to achieve in the future due to the productivity increase. In order to estimate the projected productivity, the development of the Operator's efficiency in previous years may be examined, inter alia, using detailed cost data; the projected increase in the volume of the Operator's activities in relation to the provision of the Transmission Service and the LNG Facility Service and the achievement of economies of scale; the expected future changes in the Operator's technology and foreseeable specific conditions; productivity indicators for the wider industrial sector in Greece; dynamic efficiency parameters set by other Regulatory Authorities in Europe with similar regulatory frameworks, based on data available from the relevant literature, to the extent that they reflect the development of the Operator.
- c. **Discontinuous or scalable cost changes.** The estimated significant changes in controllable operating expenses that arise if other expenses have to be added to them, which are not reflected in the base expenses or their rate of change based on subparagraph ii above, but which are necessary and prudent and are expected to be required either for the entire Regulatory Period or for a specific year or years within the Regulatory Period.
4. In order to assess to what extent the cost relating to services or goods potentially provided to the Operator by Related Parties is reasonable and efficient, RAE may take into account whether:
- a. transactions with related parties are conducted on an arm's-length basis following tender procedures.
  - b. the costs of the related parties reflect the direct cost of providing the services or goods, including a commercially reasonable return or profit margin.
  - c. it can be demonstrated that the cost of the related parties is comparable to market

benchmarking (if there are several providers of services or goods in the market for the relevant services or goods).

### Article 13. - **Non-controllable Operating Expenses**

1. Non-controllable operating expenses include, but are not limited to, the following predefined categories of expenses:
  - a. Regulatory fees.
  - b. Local authority fees.
  - c. Cadastral mapping fees.
  - d. Indirect taxes.
  - e. Right of way fees.
  - f. Expenses for retirement compensation, in the case of non-controllable expenses under the applicable legislative framework.
  - g. Compensatory fees and expropriation costs, but only to the extent and for that part which is proven not to be controlled by the Operator. Moreover, the Operator shall be obliged to take steps which could mitigate those costs and which utilize cost hedging factors.
  - h. Costs related to the Floating Storage Unit (FSU) on Revithoussa Island which are assessed as reasonable and not recovered through another mechanism.
  - i. Subscriptions and/or participations in networks, joint ventures and associations required by the legislative-regulatory framework.
  - j. Certifications (required by law).
  - k. Costs of participation in research programs and studies for future energy transition or innovation projects, after the feasibility and reasonable cost have been documented by the Operator and approved by RAE.
  - l. Environmental studies and cost-benefit analyses required in the context of the preparation and implementation of the Operator's Development Plan.
  - m. Insurance costs required to cover the risks arising from the operation, maintenance, management and development of the NNGS and its interconnections and the carrying on in general of the regulated activities of the Operator or arising from its legal and regulatory obligations and to the extent that these premiums do not extend beyond the range provided for under normal conditions in the Greek insurance market and European practice.
2. In the event that the Operator deems necessary the commitment of expenditure, which is not included in the categories in paragraph 1, it may, before the beginning of the Regulatory Period, propose additional categories of non-controllable operating expenses and their estimated amount, provided that the proposed categories of expenses meet the following criteria in combination:
  - a. They are significant, in particular representing at least two percent (2%) of the total annual operating expenses each.
  - b. They are proven to be non-controllable based on data which the Operator is obliged to submit, which proves that it cannot take any steps which could mitigate the cost or that there are no hedging factors which it can utilize. More specifically, the issue

of the ability to audit such expenditure may relate to part and not exclusively to the entire expenditure incurred.

- c. They are measurable and after approval and implementation can be certified by an independent source.
3. Deviations from the approved figures for expenditure in this category are settled when determining the Required Revenue via parameters  $P3T_i$  and  $P3L_i$  of Articles 22 and 23.

## Article 14. - **Depreciation of fixed assets**

1. Depreciation is calculated for assets in commercial operation during year  $i$  of the Regulatory Period. "In commercial operation" means assets whose construction has been technically completed and are in full operational readiness.

It should be clarified that the minimum linepack for the Transmission Service and the minimum reserves at the LNG Facility for the Basic LNG Facility Service that are included in the Regulated Asset Base according to Article 15 are not depreciated.

2. Depreciation can be divided into:
  - a. Depreciation for existing assets: This is the depreciation of fixed assets already recorded in the Fixed Asset Regulatory Register (FARR) and the RAB of the Transmission Service and the Basic LNG Facility Service respectively, in the year preceding the Calculation Year and those estimated to be included in the FARR and the RAB in the Calculation Year.
  - b. Depreciation of new assets: This is the depreciation of fixed assets created either by new investments within year  $i$  of the Regulatory Period or by investments in progress from previous years that will be included in the FARR and the RAB of the Regulated Transmission Activities and Basic LNG Facility Services, based on the schedule of implementation of the investments of the approved Development Plan.
3. Depreciation is estimated for each year  $i$  of the Regulatory Period, based on the acquisition value of the existing assets included in the FARR and the RAB in the last available year before the Calculation Year and the estimates for the value of the new assets. The following rules apply to the calculation of depreciation for each year  $i$  of the Regulatory Period:
  - a. Depreciation of new assets is calculated taking into account the economic useful life which has been set for each asset category which must be shown in the FARR. This figure is estimated by assuming the start of operations of these new assets in the middle of year  $i$ .
  - b. Depreciation of fixed assets prior to the commencement of the Regulatory Period is calculated on the basis of their residual life as derived from the FARR and the RAB of the year preceding the Calculation Year, taking into account asset additions from investments within the Calculation Year.
  - c. Depreciation for fixed assets which are expected to be withdrawn during year  $i$  of the Regulatory Period is calculated on the assumption that withdrawal takes place in the middle of year  $i$  and in accordance with the provisions of Article 15(2).
  - d. These estimates do not take into account that part of the depreciation corresponding to the value of Holdings and Grants used to acquire fixed assets, whose value and



depreciation are separately monitored in a file which must be submitted along with all necessary data to calculate the Allowed Revenue.

4. The straight-line method is generally used to calculate depreciation. In exceptional cases, and where justified on the basis of the objectives of this Regulation, accelerated depreciation may be calculated for specific fixed assets following a decision of RAE, taking into account, inter alia, the need for investments, replacements and withdrawals of existing fixed assets in accordance with: a) the approved Development Plan and generally the European and national energy policy, and b) an analysis of the operating and use conditions of the existing fixed assets in each case.
5. Deviations from the estimated depreciation are settled when determining the Required Revenue, through the  $P2T_i$  and  $P2L_i$  parameters (Articles 22 and 23).

## Article 15. - Regulated Asset Base

1. Regulated Asset Base (RAB) means the total capital employed for the Transmission Service and the Operator's Basic LNG Facility Service.
2. The RAB at the end of each year  $i$  of the Regulatory Period is estimated according to the following formulas for the Transmission Service and the Basic LNG Facility Service respectively:

$$PIIBT_i = PIIBT_{i-1} + WIPT_i + AT_i \pm \Delta STT_i + WCT_i - DT_i - FT_i$$

$$PIIBL_i = PIIBL_{i-1} + WIPL_i + AL_i \pm \Delta STL_i + WCL_i - DL_i - FL_i$$

Where:

**$PIIBT_i / PIIBL_i$**  The RAB of the Transmission Service and the Basic LNG Facility Service in year  $i$ , respectively, which is distinct for each Service, whereas the common assets are allocated to each Service according to the Operator's Accounting Separation Rules.

**$PIIBT_{i-1} / PIIBL_{i-1}$**  The estimated carried value of fixed assets of the Transmission Service and the Basic LNG Facility Service, respectively, which are expected to be in commercial operation in year  $i-1$ , taking into account the ex-post figures of fixed assets arising for previous years from the FARR (including tangible and approved non-tangible fixed assets and self-constructed fixed assets) plus value of the minimum linepack for the Transmission Service and the minimum reserves at the LNG Facility for the Basic LNG Facility Service, if not already recovered, and the estimated progress of the RAB based on investments that may be included therein, as defined in Article 17, excluding that part of the value of fixed assets which was financed through holdings or (private and public) grants, or connection charges and additional connection charges (as the latter are calculated in accordance with Article 24).

**$WIPT_i / WIPL_i$**  The estimated capital invested for projects under way, as it stands from investments in year  $i$  and previous years of the current or previous Regulatory Period, in accordance with

Article 17. It is assumed that funds in year  $i$  are invested in the middle of year  $i$ .

**$AT_i / AL_i$**  The new assets estimated to be included in the FARR of the Transmission Service and the Basic LNG Facility Service, respectively, within year  $i$ , on the basis of the schedule of implementation of the investments of the approved Development Plan. For year  $i$  it is assumed that the new assets are put into commercial exploitation and are incorporated into the FARR in the middle of year  $i$ . In the case of multi-annual projects completed and included in the FARR within year  $i$ , it is assumed that the funds required to complete the project are invested in the middle of year  $i$ .

**$\Delta STT_i / \Delta STL_i$**  The estimated change in the value of the linepack for the Transmission Service and the reserves at the LNG Facility for the Basic LNG Facility Service, resulting from possible changes in the required volume of minimum reserves, which shall be documented to RAE by the Operator with adequate analysis. The part of the value of the new reserves estimated to be remunerated or financed by NNGS Users or other third parties must be deducted from the estimated change in the value of the reserves.

**$WCT_i / WCL_i$**  The budgeted necessary Working Capital for the Transmission Service and the Basic LNG Facility Service, respectively. Working Capital is defined as the average net amount of capital required for the short-term financing of the Operator separately for the Transmission Service and the Basic LNG Facility Service. This amount results from detailed estimates and sufficient documentation based on:

(i) a study submitted by the Operator for the cash needs of the Transmission Services and the Basic LNG Facility Service and in particular a lead-lag study which assesses and determines the average time difference between the time of payment of the costs ("lead") and the time expected to collect the company's revenues ("lag") for each Service, and

(ii) a study of the company's necessary material reserves.

**$DT_i / DL_i$**  The estimated annual depreciation of fixed assets corresponding to the RAB of the Transmission Service and the Basic LNG Facility Service of reference year  $i$ , in accordance with Article 14.

**$FT_i / FL_i$**  The estimated value of the fixed assets to be withdrawn from the RAB due to sale or transfer for each year  $i$  of the Regulatory Period being examined, which is defined as the highest of the estimated revenues from the sale or transfer of the said assets to third parties and the fair value of those assets, assuming that the sales or transfers will take place in the middle of year  $i$ . Actual revenue from the sale of such fixed assets in year  $i$  should not be included in revenue taken into account for parameters  $P6Ti$  and  $P6Li$  in Articles 22 and 23.

- Where it is considered necessary to withdraw fixed assets on a large scale in order to replace them so as to introduce new technologies and modernize the NNGS, the Operator shall submit a detailed cost-benefit study in conjunction with the provisions

of Article 14(4) as part of the approval procedure for the Development Plan in order for RAE to evaluate the necessity and special features of the new project and decide how to recover the value of the withdrawn assets. RAE may examine the need for large-scale withdrawal of fixed assets for reasons of inefficient operation.

4. Between Regulatory Periods, the value of the RAB is revised based on:
  - a. investments finally made within the previous Regulatory Period, up to and including the last year for which there is available ex-post data (the second year before the Calculation Year),
  - b. the ex-post (up to and including the second year before the Calculation Year) invested capital for projects which remain under way.
  - c. depreciation on fixed assets as calculated from the FARR for each year in the previous Regulatory Period (up to and including the second year before the Calculation Year).
  - d. the withdrawn assets sold or transferred ( $F_i$ ) within the previous Regulatory Period up to and including the second year prior to the Calculation Year;
  - e. for the last two years of the Regulatory Period preceding the previous Regulatory Period, the ex-post data relating to the initially estimated investments, the funds invested for works in progress, the depreciation and withdrawals.
5. For the purposes of this revision, RAE may only recognize part of the ex-post cost of certain investments where it considers, in the context of monitoring implementation of the Development Plan, that the costs are inefficient or inadequately justified (Article 46(7)) or include an unreasonable or increased profit margin from an associated company.
6. The value of Holdings, Grants, Connection Charges and fixed assets financed by the Reserve Account for capacity reservation auctions revenue and for exclusive use for Interconnection projects, as well as fixed assets that have been split and allocated to Services other than the Transmission Services and the Basic LNG Facility Service on the basis of Account Unbundling Rules approved by RAE shall be separately monitored and shall not be included in the value of the RAB of either the Transmission Service or the Basic LNG Facility Service.
7. The RAB is not subject to any value adjustment (initial acquisition value).

## Article 16. - **Regulatory Asset Register**

1. The Regulatory Asset Register (RAR) consists of the list of all assets in operation of the Transmission Service and the Basic LNG Facility Service including long-term finance leases / rights to use assets. It is kept for regulatory purposes by the Operator and is not subject to value adjustments, except for the value adjustment that takes place between the Regulatory Periods.
2. The RAR, which is audited by a Certified Public Accountant as to its correctness and completeness in accordance with this Regulation, provides the required detailed and distinct information on:
  - a. the categories of fixed assets (existing and new), the acquisition value of fixed assets, the acquisition date and year in which the fixed assets become

- operational, and the useful and residual life of the fixed assets (economic life) on the basis of which depreciation is calculated;
- b. the carried value of fixed assets at the end of each year of the Regulatory Period;
  - c. the level of annual and cumulative depreciation per category of assets; and
  - d. the connection of fixed assets with the corresponding project codes of the Development Plan; and
  - e. long-term leases / rights to use assets.
3. Capitalized interest is not included in the initial value of fixed assets included in the RAR.

### Article 17. - **Investments**

1. Investments shall relate to capital expenditure incurred during the Regulatory Period, which shall be budgeted and monitored separately for each year  $i$ , in accordance with the latest approved Development Plan and the latest publication of the List of Small Projects (LSP).
2. Investments included in the RAB fall into two categories:
  - a. new investments: investments which have been planned to be implemented within a specific year  $i$  of the Regulatory Period and are not expected to be commissioned and included in the FARR during that year, and
  - b. investments under way: investments which commenced in previous years and which remain under way in year  $i$  of the Regulatory Period.
3. Investments taken into account in the RAB may include small capital expenditure (e.g., furniture) which due to their nature and budget are not included in the LSP or the Development Plan, as well as capital expenditure incurred due to the occurrence of force majeure events.
4. In order to evaluate investment costs in accordance with the provisions of the NNGS Network Code and this Regulation and in order to more effectively monitor investments in relation to parameters affecting their amount, investment costs shall be classified in the general categories as described in the Operator's Development Plan.
5. RAE may require additional categorizations compared to the Development Plan in order to monitor in more detail the cost components of investment expenditure ex-post and to establish a reference base for investment costs.
6. Any deviations of the approved investments of previous years shall be settled in accordance with the provisions of Articles 22 and 23 ( $P2T_i$  and  $P2L_i$  parameters for Required Revenue).

### Article 18. - **Incentives for Innovative Projects**

1. Operating expenses for the Operator's participation in research programs and studies for future energy transition or innovation projects, following documentation by the Operator of the feasibility and reasonable cost and approval by RAE, may be included in non-controllable operating expenses in accordance with the provisions of Article 13.

2. New investments which, in the view of RAE, involve innovative approaches shall be considered by RAE in terms of financial incentives. To this end, the Operator submits in the context of the approval process of the Development Plan a documented recommendation which, in addition to the required information provided for each investment in the Development Plan, also contains the following:
  - a. Justification for the designation of the investment (or part thereof) as innovative.
  - b. A cost-benefit study demonstrating and clearly analyzing any alternative investments in relation to the investment for which the Operator requests an incentive. This study will be based on published methodologies of Agencies and Organizations, such as indicatively the European Commission, Agency for the Cooperation of European Energy Regulators (ACER), European Network of NG Transmission Operators (ENTSO-G) and Joint Research Center of the European Commission (EC-JRC).
  - c. Quantification of the need to grant an incentive (indicatively, to cover technological risk, to address issues of the existing regulatory framework).
  - d. Proposed incentive accompanied by documentation of its reasonable amount.
3. The financial incentive granted from time to time shall not exceed € 500,000 per investment.

## Article 19. - Return on Regulated Asset Base

1. The return on the RAB of the Transmission Service and the Basic LNG Facility Service is defined as the return on capital employed for each Service and is calculated by multiplying the RAB of each Service by the Operator's Weighted Average Cost of Capital (WACC) for each year  $i$  of the Regulatory Period.
2. The Weighted Average Cost of Capital is calculated (without prejudice to Article 46(8) of the Regulations) at nominal pre-tax prices ( $WACC_{pre-tax, nominal}$ ) in accordance with the following formula:

$$WACC_{pre-tax, nominal} = g \times r_d + (1 - g) \times r_e / (1 - t)$$

Where:

- g** the gearing ratio
  - r<sub>d</sub>** nominal cost of debt, before tax
  - r<sub>e</sub>** the cost of equity, post-tax nominal
  - t** the corporate tax rate on profits which applies for the first year of the Regulatory Period.
3. **Gearing ratio (g).** The level of the ratio used in calculating the weighted average cost of capital shall be determined by RAE before each Regulatory Period. The ratio is set based on RAE's assessment of an effective financing structure and may be different from the actual ratio of the Operator's debt to overall equity and debt, namely it is a notional gearing ratio.
  4. The notional gearing ratio shall range from 45% to 60%.

5. When setting the notional gearing ratio within the range referred to in paragraph 4 of this Article, RAE takes into account the following:
  - a. The setting of a ratio which does not impede the financing of investments in the Transmission Service and the LNG Service, or leads to financing costs which create an unfair burden for NNGS Users, taking into account the Operator's investment plan.
  - b. The gearing ratio applied to other regulated companies in the energy sector in Greece.
  - c. European practice and decisions of regulatory authorities in countries which have a similar regulatory framework and economic environments to those of Greece.
6. In any case and in order to ensure the capital adequacy of the LNG and Transmission Facility Services, the ratio of the actual Debt to total Equity and Debt of the Operator should not be higher than 0.7.
7. **Cost of debt.** The forecasted cost of debt is equal to the return on investment without risk (which may differ from the one used for the cost of equity) plus a debt premium. The debt premium is the estimated premium for the risk-free return which the Operator is required to pay for its financing and reflects the additional risks the Operator faces, taking into account its credit rating (if assessed) and the gearing ratio.
8. In order to calculate the debt premium, RAE takes into account the following:
  - a. The historical and future estimated weighted cost of the Operator's debt for the LNG Transmission and Facility Services in relation to the estimated outstanding loan balance.
  - b. The historical estimated average return on medium to long-term bond loans (for example for 5-10 years) issued by companies in the energy sector in Greece and Europe in general which face similar business and regulatory environments, as well as risks, and have similar credit ratings as the Operator. In addition, regard is had to estimates of the loan risk of companies in a direct or indirect partnership with the Operator.
  - c. Evaluations for other regulated companies in the energy and infrastructure sectors in Greece.
9. **Cost of equity post-tax, nominal.** The estimated cost of equity ( $r_e$ ) of the Transmission Service and the LNG Facility Service shall be calculated at nominal prices after tax in accordance with the following formula:

$$r_{e \text{ post-tax, nominal}} = r_f + \beta_{\text{equity}} \times \text{MRP} + \text{CRP}$$

Where:

$r_f$  the risk-free rate

$\beta_{\text{equity}}$  the equity beta factor

**MRP** the Market Risk Premium

**CRP** the Country Risk Premium.

10. **The Risk Free Rate.** In order to determine the risk-free rate, RAE primarily takes into account the historical and current yield of 10-year sovereign bonds from Euro Area

Member States and in particular the 10-year sovereign bond of the Member State with the lowest yield. In particular, when examining this parameter regard is had to:

- a. historical and current data on yields on 10-year government bonds.
  - b. temporary or special circumstances (including but not limited to the actions of monetary authorities) which affect the estimated risk-free return in the future.
11. **Beta factor.** This relates to the volatility rate (sensitivity) for the performance of the Operator's equity compared to the market. The estimate of the rate takes into account:
- a. The values for this ratio for companies in Europe similar to the Operator, adjusted for different gearing ratio levels and taking into account the systematic risk the Operator faces in relation to the companies being compared.
  - b. The factors set by regulatory authorities in countries with similar regulatory frameworks and business risks in Europe.
12. **Market Risk Premium.** This relates to the market's yield (risk) based on both historical data and future estimates of the development of capital market yield compared to sovereign bonds. In order to determine this, RAE takes into account historical and current data from stock exchange markets, as well as the assessments of other regulatory authorities in European countries with a similar regulatory framework and special reports from respected international organizations (such as the Council of European Energy Regulators (CEER), or the Agency for the Cooperation of Energy Regulators (ACER). Moreover, regard may be had to data from the relevant reports of recognized financial firms, universities and the relevant international literature.
13. **Country Risk Premium (CRP).** This relates to a factor added to the standard Capital Asset Pricing Model (CAPM) formula in order to take into account any major risks which arise for the Operator from uncertainties in the Greek economy. In order to determine the value of this factor, RAE may take into account the following:
- a. the current and historical prices of the 10-year Greek sovereign bond and the margin for deviation compared to the corresponding duration of sovereign bonds from Euro Area Member States, and in particular the 10-year sovereign bond from that Member State of the Euro Area with the lowest yield which is examined, among other factors, to determine risk-free yield ( $r_f$ ),
  - b. current and historical prices on financial markets for bonds issued by corporate entities in Greece, in the context of evaluating an overall reasonable cost of equity which takes into account the risks from uncertainties in the Greek economy.
  - c. the special features of the regulatory framework and this Regulation and to what extent they could affect the Operator's exposure to those risks and
  - d. data from relevant reports from recognized financial firms, universities and relevant international literature.
14. Note that the percentage of return on RAB specified in this Article may be re-calculated in the context of calculating the Required Revenue in accordance with Articles 22 and 23.

Article 20. -

**Socialization of LNG Service Allowed Revenue**

1. In accordance with the provisions of Article 88(3) of the Law, a percentage of the Allowed Revenue of the Basic LNG Facility Service (LNG Facility Socialization Rate: socLNG) is recovered via Transmission System Exit Point Users through a separate LNG Socialization Charge.
2. Before the Regulatory Period commences, the Operator shall recommend to RAE the Socialization Percentage referred to in paragraph 1 of this Article for evaluation and approval by RAE. This percentage shall be based on a cost-benefit study submitted by the Operator to RAE to evaluate the contribution of the LNG Facility to NNGS load balancing, security of supply and facilitation of the entry of new suppliers into the Greek natural gas market. This study shall be published on RAE's website.
3. The Socialization Rate of the Allowed Revenue of the Basic LNG Facility Service is set in numbers in the Required Revenue Approval Decision at the beginning of each Regulatory Period.
4. The Operator may examine the possibility of allocating socLNG amount and the export charges for the Interconnection Points, as there is a benefit for these users from the introduction of LNG.

Article 21. -

**Old Recoverable Difference**

1. The Old Recoverable Difference is the Recoverable Difference for the years 2006-2016 which has been calculated for the Transmission System and LNG Facility in accordance with RAE Decisions No. 339/2016 (Government Gazette 3181/B/04.10.2016), 344/2016 (Government Gazette 3235/B/07.10.2016) and 352/2016 (Government Gazette 3513/B/01.11.2016).
2. The Amount of the Old Recoverable Difference incorporated in the Allowed Revenue at the end of each year (i) of the Regulatory Period, is defined as the adjusted difference of the respective amount at the end of the year (i-1) less:
  - a. the recoverable amount in year (i) in accordance with Paragraph 4 of this Article; and
  - b. any part of the positive Recoverable Difference (over-recovery) of year (i) deducted in accordance with paragraph 3 of this Article.

The adjustment of the above difference is made based on the AvgCPI of the year (i-2).

3. Where the Recoverable Difference in Transmission System costs in year (i) is positive (over-recovery), the Operator shall propose to RAE for approval the rate of over-recovery to be included in the calculation of the Required Revenue for the following year. The difference between the amount of the over-recovery and the amount resulting from the over-recovery rate approved by RAE shall be deducted from the amount of the Old Recoverable Difference at the end of Year (i). The over-recovery rate shall be set (a) taking into account its impact on the NNGS Average Usage Charge and in particular the smooth scaling down of NNGS Usage Charges and (b) in such a way as



to avoid, to the extent possible, an increase in the NNGS Average Usage Charge in year (i+1) in relation to year (i).

If the total amount deducted exceeds the remaining total Old Recoverable Difference at year end (i-1), the amount deducted is limited to the amount of the remaining Old Recoverable Difference.

4. The balance of the Old Recoverable Difference on 31.12.2021 amounts to €112,783,493, while the estimated amount to be recovered for 2022 and 2023 amounts to €10,887,273 and €10,648,155 respectively. From year  $i=2024$  up to and including Year  $i=2032$ , the recoverable amount for each year (i) is obtained by dividing the remaining amount of the Old Recoverable Difference at the end of year (i-1), as calculated in accordance with paragraph 2 of this Article, by the difference (2032-i+1).
5. In each tariff revision in the first year of the Regulatory Period or tariff adjustment for the remaining Regulatory Period for year (i), the recoverable amount for that year shall be calculated in accordance with paragraph 4.
6. The Old Recoverable Difference recovered in each year (i) of the Regulatory Period shall be adjusted in accordance with Article 22, **oldRDAdj<sub>i</sub>** parameter.

## CHAPTER IV REQUIRED REVENUE FOR TRANSMISSION AND BASIC LNG FACILITY SERVICES

### Article 22. -

#### Transmission Service Required Revenue

1. Required Revenue (RR) of the Transmission Service is defined as the amount to be recovered through the Transmission Service Tariffs and is calculated for each year  $i$  of the Regulatory Period on the basis of the following formulas:

$$\mathbf{RRYME}_i = \mathbf{RRYME\_En}_i + \mathbf{RRYME\_Ex}_i$$

$$\mathbf{RRYME\_En}_i = \mathbf{ARYME\_En}_i \pm \mathbf{P1T}_i\_{En} + \mathbf{IIE}\% \times [\pm \mathbf{P2T}_i \pm \mathbf{P3T}_i \pm \mathbf{P4T}_i \pm \mathbf{P5T}_i - \mathbf{P6T}_i - \{\psi\% \times \mathbf{UP}_i\} \pm \mathbf{INFT}_i \pm \mathbf{INCT}_i]$$

$$\mathbf{RRYME\_Ex}_i = \mathbf{ARYME\_Ex}_i \pm \mathbf{P1T}_i\_{Ex} + (1-\mathbf{IIE})\% \times [\pm \mathbf{P2T}_i \pm \mathbf{P3T}_i \pm \mathbf{P4T}_i \pm \mathbf{P5T}_i - \mathbf{P6T}_i - \{\psi\% \times \mathbf{UP}_i\} \pm \mathbf{INFT}_i \pm \mathbf{INCT}_i] \pm \mathbf{oldRDAdj}_i$$

Where:

**RRYME <sub>$i$</sub>**  The Required Revenue of the Transmission Service for year  $i$  of the Regulatory Period.

**IIE%** The percentage of the cost allocated to the Entry Points of the Transmission System, in accordance with the provisions of Regulation 2017/460. The remaining part of the cost  $(1-\text{IIE})\%$  is allocated to the Exit Points of the Transmission System.

**RRYME <sub>$i$</sub> \_En <sub>$i$</sub>**  The Required Revenue of the Transmission Service at the entry points of the Transmission System for year  $i$  of the Regulatory Period.

**RRYME <sub>$i$</sub> \_Ex <sub>$i$</sub>**  The Required Revenue of the Transmission Service at the exit points of the Transmission System for year  $i$  of the Regulatory Period.

**ARYME <sub>$i$</sub> \_En <sub>$i$</sub>**  The Allowed Revenue of the Transmission Service at the entry points of the Transmission System, calculated in accordance with Article 10 of the Regulations.

**ARYME <sub>$i$</sub> \_Ex <sub>$i$</sub>**  The Allowed Revenue of the Transmission Service at the exit points of the Transmission System, calculated in accordance with Article 10 of the Regulations.

**P1T <sub>$i$</sub> \_En** For entry points, the settlement amount due to under-recovery or over-recovery (positive or negative respectively) of the revenue from application of the approved Tariffs in year  $i-2$ , arising from the differences between the Projected Contractual Capacity of the entry points and the ex-post Firm Contractual Capacity of the entry points, as well as the corresponding amount in year  $i$  from under-recoveries or over-recoveries of revenue from application of approved Tariffs of previous years, as approved by the Authority and allocated over more than one year. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates. The under-recovery or over-recovery amount in year  $i-2$  may be allocated over several years within

the Regulatory Period or beyond, where this is considered necessary due to its significant size and for the purpose of smoothing out and avoiding significant fluctuations in the Transmission Tariffs. In this case the amounts are allocated between the years in the Regulatory Period or beyond and regard is had to the estimated rate of inflation for each year  $i$  in the Regulatory Period.

**P1T<sub>i</sub>Ex** For exit points, the settlement amount due to under-recovery or over-recovery (positive or negative respectively) of the revenue from application of the approved Tariffs in year  $i-2$ , arising from the differences between the Projected Contractual Capacity at the exit points and the ex-post Firm Contractual Capacity of the exit points, as well as the differences between the Projected demand and ex-post demand, plus the amount attributable to year  $i$  from under- or over-recoveries of revenue from application of the approved Tariffs of previous years, as approved by the Authority and allocated over more than one year. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates. The under-recovery or over-recovery amount in year  $i-2$  may be allocated over several years within the Regulatory Period or beyond, where this is considered necessary due to its significant size and for the purpose of smoothing out and avoiding significant fluctuations in the Transmission Tariffs. In this case the amounts are allocated between the years in the Regulatory Period or beyond and regard is had to the estimated rate of inflation for each year  $i$  in the Regulatory Period.

**P2T<sub>i</sub>** The liquidation amount (whether positive or negative) due to deviations between the allowed and ex-post depreciation and between the allowed and ex-post capital employed in year  $i-2$  due to increased or decreased by the forecasted investments. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates. In order to determine the ex-post value of depreciation in year  $i-2$ , regard is had to:

- a. Depreciation of new assets commissioned in year  $i-2$  calculated on the assumption that they are invested in the middle of that year and with such amounts arising from the FARR.
- b. Depreciation of existing assets arising from the FARR.

The calculation does not include overruns of the approved investment budget related to improvements of indicators regulated through financial incentives. Calculations of the differences between allowed and ex-post depreciation and between allowed and ex-post capital employed are provisional and may be revised and finalized after evaluation of investments by RAE in accordance with Article 15(4) and (5) and Article 93 of the NNGS Network Code.

**P3T<sub>i</sub>** The settlement amount (whether positive or negative) due to deviations from approved non-controllable operating expenses included in the Allowed Revenue for year  $i-2$  and the ex-post non-controllable operating expenses of the Transmission Service, based on an audit by RAE. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates. When calculating the amount of non-controllable operating expenses to be settled, categories of expenditure whose annual amount was less than two percent (2%) of

the total annual operating expenses may be examined, following a recommendation by the Operator and the relevant approval by RAE.

- P4T<sub>i</sub>** The settlement amount (whether positive or negative) due to deviations between the estimated and ex-post revenues for year i-2 from other regulated or non-regulated services provided by the Operator, the cost of which is not accounted for separately and has been included in the calculation of the Allowed Revenue under Article 10(1). The adjustment shall be made at the Operator's recommendation and on the basis of an audit by RAE. This parameter is calculated at current values for year i taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.
- P5T<sub>i</sub>** The amount to be settled due to differences arising in the Allowed Revenue of year i-2, to redefine the reasonable return within the Regulatory Period due to a significant change in the value of parameter t (tax rate). This parameter is calculated at current values for year i, taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.
- P6T<sub>i</sub>** The amount from the premium obtained from capacity reservation auctions, entered in a separate account and approved by RAE to be used to reduce the Required Revenue of the Transmission Service, taking into account Article 19 of Regulation 2017/460. RAE may consider, at the request of the NNGS Operator, offsetting in whole or in part the Revenue from year i premiums against estimated under-recoveries of the NNGTS Required Revenue in the same year i.
- ψ%** The percentage of allocation between the Transmission Service and the Basic LNG Facility Service of the amount UP<sub>i</sub>, determined in proportion to the most recent approved Allowed Revenue of the Transmission Service and the Basic LNG Facility Service.
- UP<sub>i</sub>** The amount of net profits from Non-Regulated Services transferred to the benefit of NNGS Users. This amount is calculated based on a percentage of the Operator's net profit from Non-Regulated Services, which is determined as follows:
- i. 50% of the net profits for Non-Regulated Services provided by the Operator without requiring the use of assets which have been included in the RAB of the NNGS nor additional new investments. This percentage shall be transferred to the benefit of NNGS Users by reducing the relevant Required Revenue of the LNG Transmission and Facility Service of year i. This parameter is calculated at current values for year i, taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.
  - ii. 20% of the net profits for Non-Regulated Services provided by the Operator without requiring the use of assets which have already been included in the RAB of the NNGS but whose provision requires new investments which will not be included in the RAB of NNGS. This percentage is transferred for the benefit of NNGS Users, reducing the relevant Allowed Revenue of the Transmission Service and the Basic LNG Facility Service for year i. This parameter is calculated at current values for year i, taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.

- INFT<sub>i</sub>** The settlement amount (whether positive or negative) of the deviation in the controllable operating expenses part of the Allowed Revenue of year (i-2) arising due to the difference between the previously estimated inflation and the ex-post inflation (based on ELSTAT data) for that year. This parameter is calculated at current values for year i, taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.
- INCT<sub>i</sub>** The amount resulting for inclusion in the Required Revenue for year i as a result of the application of incentives to ensure the efficient and safe operation of the System, the effectiveness of the Operator as well as the reliable, quality and uninterrupted provision of the NNGS, taking into account performance indicators defined and specified in a special decision issued by RAE. The amount to be included in the Required Revenue shall be calculated in accordance with the methodology laid down in the special RAE decision and the Required Revenue and Tariffs Approval Decision. The amount may have a positive (increase) or negative (decrease) or zero impact on the Operator's revenues. This parameter is calculated at current values for year i, taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.
- oldRDAdj<sub>i</sub>** The amount resulting from the difference (whether positive or negative) between the Old Recoverable Difference included in the Allowed Revenue in accordance with Articles 10 and 21 of the Regulations and the adjusted Old Recoverable Difference, taking into account the difference resulting in the amount of the Old Recoverable Difference of the year i-2 due to a difference between the ex ante estimated inflation used for the ex-ante calculation, and the ex-post inflation (based on ELSTAT data) for that year. This parameter is calculated at current values for year i, taking into account the AvgCPI between year i-2 and year i, according to ELSTAT data and available estimates.
2. As part of the annual adjustment provided for in Article 41, the under-recovery or over-recovery amount resulting from the application of the correction factors set out in paragraph 1 of this Article may be allocated over several years within the Regulatory Period or beyond, when this deemed necessary due to its significant size and in order to avoid significant fluctuations in the System Charges between the years of the Regulatory Period or between successive Regulatory Periods. In such case, the amounts shall be allocated to the years of the Regulatory Period or beyond and the estimated inflation for each year i of the Regulatory Period or Regulatory Periods shall be taken into account.

## Article 23.

### Basic LNG Facility Service Required Revenue

1. Required Revenue (RR) of the Basic LNG Facility Service is defined as the amount to be recovered through the LNG Facility Tariffs and is calculated for each year i of the Regulatory Period on the basis of the following formula:

$$RR_{YY\Phi_i} = AR_{YY\Phi_i} \pm P1L_i \pm P2L_i \pm P3L_i \pm P4L_i \pm P5L_i - P6L_i \pm P_{TrL} \pm P_{SSLNG} - \{(1-\psi\%) \times UP_i\} \pm INFL_i \pm INCL_i$$

Where:

- RRYY $\Phi_i$**  The Required Revenue of the Basic LNG Facility Service for year  $i$  of the Regulatory Period, calculated and recovered from the Tariffs of the LNG Facility.
- ARYY $\Phi_i$**  The Allowed Revenue of the Basic LNG Facility Service, calculated in accordance with Article 10 of the Regulations.
- P1L $_i$**  The settlement amount due to under-recovery or over-recovery (positive or negative respectively) of the revenue from application of the approved Tariffs in year  $i-2$ , arising from the differences between the projected demand or the Projected Contractual Capacity and the ex-post demand or the Firm Contractual Capacity, as well as the amount corresponding to the year  $i$  from under-recoveries or over-recoveries of revenue from application of approved Tariffs of previous years, as approved by the Authority and allocated over more than one year. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates. The under-recovery or over-recovery amount in year  $i-2$  may be allocated over several years within the Regulatory Period or beyond, where this is considered necessary due to its significant size and for the purpose of smoothing out and avoiding significant fluctuations in the Basic LNG Facility Service Tariffs. In this case the amounts are allocated between the years in the Regulatory Period or beyond and regard is had to the estimated rate of inflation for each year  $i$  in the Regulatory Period.
- P2L $_i$**  The settlement amount (whether positive or negative) due to deviations between the allowed and ex-post depreciation as well as between the allowed and ex-post capital employed in year  $i-2$  due to increased or decreased by the projected investments. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates. The ex-post value of depreciation in year  $i-2$  shall be determined taking into account:
- i. Depreciation of new assets commissioned in year  $i-2$  calculated on the assumption that they are invested in the middle of that year and with such amounts arising from the FARR.
  - ii. Depreciation of existing assets arising from the FARR.
- The calculation does not include overruns of the approved investment budget related to improvements of indicators regulated through financial incentives. Calculations of the differences between allowed and ex-post depreciation and between allowed and ex-post capital employed are provisional and may be revised and finalized after evaluation of investments by RAE in accordance with Article 15(4) and (5) and Article 93 of the NNGS Network Code.
- P3L $_i$**  The settlement amount (whether positive or negative) due to deviations from the approved non-controllable operating expenses of the Basic LNG Facility Service included in the Allowed Revenue of year  $i-2$ , and ex-post non-controllable operating expenses, as derived from an audit by RAE. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.
- P4L $_i$**  The settlement amount (whether positive or negative) due to deviations between the estimated and ex-post revenues for year  $i-2$  from other

regulated or non-regulated services provided by the Operator, the cost of which is not accounted for separately and has been included in the calculation of the Allowed Revenue under Article 10(1). The adjustment shall be made at the Operator's recommendation and on the basis of an audit by RAE. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.

- P5L<sub>i</sub>** The amount to be settled due to differences arising in the Allowed Revenue of year  $i-2$ , to redefine the reasonable return within the Regulatory Period due to a significant change in the value of parameter  $t$  (tax rate). This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.
- P6L<sub>i</sub>** The amount from the premium obtained from capacity reservation auctions, entered in a separate account and approved by RAE to be used to reduce the Required Revenue of the Basic LNG Facility Service.. RAE may consider, at the request of the NNGS Operator, offsetting in whole or in part the Revenue from year  $i$  premiums against estimated under-recoveries of the NNGS Required Revenue in the same year  $i$ .
- P<sub>TrL</sub>** The settlement amount due to under-recovery or over-recovery (whether positive or negative) of the LNG Truck Loading Service Revenue from application of the approved Tariffs of this service in year  $i-2$ . This parameter should be expressed using the current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.
- P<sub>SSLNG</sub>** The settlement amount due to under-recovery or over-recovery (whether positive or negative) of the LNG Loading Service Revenue on small-scale LNG vessels from application of the approved Tariffs of this service in year  $i-2$ . This parameter should be expressed using the current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.
- $\psi\%$**  The allocation percentage between the Transmission Service and the Basic LNG Facility Service of the amount of  $UP_i$  calculated in accordance with Article 22(1).
- UP<sub>i</sub>** The amount of net profits from Non-Regulated Services transferred to NNGS Users and calculated in accordance with Article 22(1).
- INFT<sub>i</sub>** The settlement amount (whether positive or negative) of the deviation in the controllable operating expenses part of the Allowed Revenue of year  $(i-2)$  arising due to the difference between the previously estimated inflation and the ex-post inflation (based on ELSTAT data) for that year. This parameter is calculated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.
- INCL<sub>i</sub>** The amount arising to be incorporated into the Required Revenue of year  $i$  as a result of the application of incentives to ensure the efficient and safe operation of the LNG Facility, the efficiency of the Operator as well as the reliable, quality and uninterrupted provision of the NNGS and the reliable, quality and uninterrupted provision from the LNG Facility, taking into account performance indicators defined and specified in a special decision issued by RAE. The amount to be included in the Required Revenue shall be calculated in accordance

with the methodology laid down in the special RAE decision and the Required Revenue and Tariffs Approval Decision. The amount may have a positive (increase) or negative (decrease) or zero impact on the Operator's revenues. This parameter is formulated at current values for year  $i$ , taking into account the AvgCPI between year  $i-2$  and year  $i$ , according to ELSTAT data and available estimates.

2. As part of the annual adjustment provided for in Article 41, the under-recovery or over-recovery amount resulting from application of the correction factors set out in paragraph 1 of this Article may be allocated over several years within the Regulatory Period or beyond where this is deemed necessary in view of their significant size and in order to avoid significant fluctuations in System Charges between the years of the Regulatory Period or between successive Regulatory Periods. In such case, the amounts shall be allocated to the years of the Regulatory Period or beyond and the estimated inflation for each year  $i$  of the Regulatory Period or Regulatory Periods shall be taken into account.

## Article 24. - Connection Charges

1. Where a new Entry or Exit Point is created or the capacity of an existing Entry or Exit Point is increased at the User's request (Connection Project), the User who requested the Connection Project and whose request was accepted by the Operator in accordance with the provisions of the NNGS Network Code shall pay the Operator a Connection Charge. The Connection Charge shall be calculated as the sum of:
  - a. the ex-post cost of constructing the relevant gas metering, metering + regulator devices for natural gas off-take, including telecommunications equipment, up to a limit of EUR three (3) million at 2018 prices per metering device or metering and regulator device, and
  - b. the ex-post cost of the pipeline upstream from the new Entry or Exit Point created and up to a length of two (2) kilometers, including the necessary equipment for the operation of the pipeline, up to the limit of two (2) million Euros at 2018 prices. In the case where the length of the pipeline upstream from the new Exit Point is more than two (2) kilometers, the part of the total cost of the upstream pipeline included in the Connection Charge shall be calculated pro rata to the two (2) km section of the pipeline in terms of the total length of the upstream pipeline and up to the limit of two (2) million Euros at 2018 prices.
2. The above monetary thresholds shall be adjusted each Year in proportion to the change in the annual AvgCPI (%) of the previous year, as published by the Hellenic Statistical Authority, where a negative value is assumed to be equal to zero.
3. In calculating the cost of points (a) and (b) of paragraph 1, this shall include self-production costs and capitalized construction period interest corresponding to the Connection Charge, calculated on the basis of the average borrowing costs of the Operator in year  $i-1$ .
4. In case the Connection Project concerns more than one User, the Connection Charge of each User shall be calculated in accordance with the methodology set out in par. 1 of this Article, where the amounts of cases a and b are allocated to the Users in proportion to the Transmission Capacity they have applied for in the Connection Project in question.



5. That part of the cost of the User Connection Project corresponding to the amount paid by the applicant User as the Connection Charge shall not be incorporated into the NNGS RAB, in which case depreciation shall not be recovered and yield shall not be calculated.
6. New investments required after the commencement of operation of the Connection Project due to wear and tear or necessary upgrading of equipment shall be made by the Operator and shall be included in the NNGS RAB in accordance with the provisions of Article 15.
7. Where a Connection Project is not Economically Neutral, i.e. its implementation causes an increase in the NNGS Average Usage Charge during the Average Billing Period, the Operator shall calculate the part of the total cost of the Connection Project that is required not to be included in the Regulated Asset Base in order not to cause an increase in the NNGS Average Usage Charge. This budgeted part of the total cost may be paid by the User who requested the Connection Project as an Additional Connection Charge. The investment cost relating to the part of the project corresponding to the Additional Connection Charge is not taken into account in the RAB, so depreciation is not recovered and no yield is calculated.

## Article 25. - NNGS Average Usage Charge

1. The Average Usage Charge for year  $i$  of the tariff calculation period is calculated as follows:

$$AvTAR_i = \frac{RRYME\_En_i + RRYME\_Ex_i^A + RRY\Phi_i}{\sum CAPT_i * D_i} + \frac{netORD_i}{COMT\_Ex_i}$$

Where:

- AvTAR<sub>i</sub>** The NNGS Average Usage Charge for year  $i$  of the Regulatory Period expressed in €/kWh.
- RRYME\_En<sub>i</sub>** The Required Revenue of the Transmission Service at the Entry Points of the Transmission System for year  $i$  of the Regulatory Period in accordance with Article 22.
- RRYME\_Ex<sub>i</sub><sup>A</sup>** The Required Revenue of the Transmission Service at the Exit Points of the Transmission System for year  $i$  of the Regulatory Period (part A) calculated in accordance with Article 22, excluding the amount calculated for the Old Recoverable Difference, and which is equal to RRYME\_Ex<sub>i</sub> (referred to in Article 22) minus netORD<sub>i</sub> (referred to in this Article).
- RRYΦ<sub>i</sub>** The Required Revenue of the LNG Service for year  $i$  of the Regulatory Period in accordance with Article 23.
- ΣCAPT<sub>i</sub>** The sum of the Projected Contracted Capacity of all NNGTS Entry and Exit Points taken into account for the calculation of tariff rates for year  $i$  of the Regulatory Period.
- D<sub>i</sub>** All days of year  $i$  of the Regulatory Period.
- netORD<sub>i</sub>** The part of the Required Revenue of the Transmission Service at the exit points of the Transmission System for year  $i$  of the Regulatory Period (part B), which is calculated according to the oldRD<sub>i</sub> (referred to in Article 10) ± oldRDAdj<sub>i</sub> (referred to in Article 22).

**COMT\_Ex<sub>i</sub>** The sum of the quantities of natural gas received from the domestic exit points in year i of the Regulatory Period.

## **CHAPTER V REVENUE AND TARIFFS FOR NON- TRANSMISSION AND ANCILLARY LNG SERVICES**

### **Article 26. - Allowed Revenue, Required Revenue and Tariffs for Non-Transmission Services and Ancillary LNG Services**

1. The Allowed Revenue for Non-Transmission Services and Ancillary LNG Services is defined as the amount determined in advance that can be recovered through the charges for the provision of Non-Transmission Services and for the provision of Ancillary LNG Services respectively, and is calculated for each Regulatory Period.
2. The Allowed Revenue for Non-Transmission Services and Ancillary LNG Services is determined before the Regulatory Period and is expressed on a unit basis, namely as the average revenue for each service which in turn is equal to the quotient of the Allowed Revenue of the service divided by the forecasted demand of that service.
3. Unless otherwise decided on a case-by-case basis by RAE on a recommendation from the Operator, the Required Revenue for each Non-Transmission Service and each Ancillary LNG Service shall be equal to:
  - a. The product of the average revenue of the service in question and the ex-post demand of the service (price cap approach), or
  - b. Allowed Revenue adjusted for ex-post costs and service demand (cost plus approach).
4. The Allowed Revenue for Non-Transmission Services and Ancillary LNG Services is calculated based on the cost of providing the relevant services. In particular, the Allowed Revenues of the Non-Transmission Services and the Ancillary LNG Services shall generally be based on the long run incremental cost of providing the relevant service, unless otherwise specified in each case by RAE, on the recommendation of the Operator.
5. Long-term additional costs means the additional costs incurred by the Operator in the long-term for the provision of the service in question, provided that all other production activities of the Operator remain unchanged. This is the cost that the Operator would avoid in the long term if it ceased to provide this service. In addition, long-term incremental costs refer to the future costs of providing this service using the most efficient and commercially available means.
6. To ensure that long-term costs are treated as potentially avoidable (and therefore included in the cost base and the Allowed Revenue of services), a medium to long-term perspective is taken. However, the precise period may differ depending on the type of service and shall be decided on a case-by-case basis by RAE on a recommendation from the Operator. In general, however, when an activity is capital intensive, the choice of time period can be determined based on the capital expenditure budget cycle. In other cases, the standard business strategy planning horizon of three to five years may be an appropriate rule.
7. According to the long-term incremental cost approach, the Allowed Revenue of each Non-Transmission Service and each LNG Ancillary Service consists of all costs that the Operator would have avoided if such service had not been offered. Avoidable costs include:

- a. Direct (operating and capital) expenditure relating exclusively to the provision of the service in question (including capital costs); and
  - b. Shared costs causally related to the relevant service (such as other Operator assets and overheads).
8. In the case of direct costs, only costs directly attributable to the provision of a particular service may be directly attributable to that service.
  - a. The Operator has some discretion to determine the parameter on the basis of which direct costs are determined. This could be at customer or service level, for example.
  - b. In general, the level of cost determination and allocation should be aligned with the basis used to determine charges. For example, if charges are per customer, the direct cost should be determined and allocated at customer level.
9. The shared costs incurred for the provision of the Non-Transmission Services and the Ancillary LNG Services must be allocated between these services and the other services and activities of the Operator.
  - a. In the case of shared costs between services provided, a causal allocator should be used to allocate these costs between services in accordance with the approved accounting separation rules.
  - b. Where the shared cost is insignificant or a causal relationship cannot be easily established, the Operator may use a non-causal allocator to allocate the cost between the services.
10. The Operator's methodology for allocating costs to different services must be sufficiently detailed to enable RAE to reproduce the methodology. In particular, taking account of the accounting separation approved by RAE, the operator must include the following information:
  - a. For direct costs: (i) the nature of each cost item; (ii) the service to which the cost item will be directly attributed; (iii) the characteristics of the cost item that uniquely relate it to a particular service in order to render it directly attributable cost.
  - b. For shared costs allocated between services using a causal allocator: (i) the nature of each cost element, (ii) the services to which the cost elements are attributed, (iii) the nature of the causal allocator(s) used for cost allocation, (iv) the reasons for the choice of the allocator(s) and justification as to why it is the most appropriate allocator for the cost element, (v) details of the numerical quantity or percentage of the allocator(s), including how they have been determined, (vi) whether the numerical quantity or percentage of the allocator(s) is likely to remain constant over time.
  - c. For shared costs allocated between services using a non-causal allocator: (i) the basis of the allocation; (ii) the reason for this basis; (iii) justification why the common cost is insignificant or why a causal relationship could not be established; (iv) the numerical quantity or percentage of the non-causal allocator applicable to each service and overall.
11. When allocating costs between different services, the same costs shall not be allocated more than once. To be more specific:
  - a. The same cost cannot be treated as both direct cost and shared cost.
  - b. One direct cost can only be paid once to each service.
  - c. The allocation of a shared cost shall not exceed 100 per cent of the cost.
12. Given the potential number of Non-Transmission Services and Ancillary LNG Services that may be provided by the Operator, it is neither practical nor desirable to provide a specific pricing structure for the different types of services. Tariffs shall therefore be set by separate decision of RAE on a case-by-case basis. In general, any such tariff structures should:
  - a. Promote cost-effective use of this service.
  - b. Ensure sufficient revenue for the efficient provision of the required services.
  - c. Apply the "user pays" principle in relation to the services in question.

- d. Contribute to achieving price transparency.
  - e. Promote the efficient functioning of the relevant markets.
  - f. Be compatible, in the case of Non-Transmission Services, with the provisions of Article 4(4) of Regulation 2017/460.
13. The regulated LNG Truck Loading Service and the regulated LNG Loading Service on small-scale LNG vessels shall be exempt from the provisions of this Article. Any under- or over-recovery of the revenue of these services ( $P_{TL}$ ,  $P_{SSLNG}$ ) generated in relation to the initially approved revenue of each year  $i$  shall be included in the Required Revenue of the Basic LNG Facility Service, as determined in accordance with Article 23 of this Regulation. RAE may review the above arrangement in the case where domestic LNG Truck Loading and LNG Loading infrastructure is developed on small-scale vessels which will create conditions of competition.

## **SECTION III: METHODOLOGY FOR SETTING NNGS TARIFF RATES**

### **CHAPTER VI TARIFF RATES**

#### **Article 27. -**

#### **Transmission system Entry and Exit points**

1. The Transmission Tariff rates shall be set separately for each of the Transmission System Entry and Exit Points.
2. The Transmission System User shall be charged separately for the use of each entry point to which it delivers Natural Gas and separately for the use of each exit point from which it receives Natural Gas, in accordance with the provisions of the NNGS Network Code and the Approved Application signed with the Operator, depending on the entry and exit to which the said entry or exit point belongs. The charge for the use of an entry point may not vary depending on the exit point from which the Natural Gas delivered at that entry point is received, without prejudice to the provisions of Article 36. The charge for the use of an exit point may not vary depending on the entry point at which the Natural Gas received from that exit point is delivered.
3. Where, in accordance with the NNGS Network Code, it is permitted to submit an application exclusively for the reservation of Input Transmission Capacity and the input of Natural Gas at one or more Entry Points or exclusively for the reservation of Offtake Transmission Capacity and the offtake of Natural Gas from one or more Exit Points, especially in the case of virtual natural gas input/offtake point or a virtual natural gas trading point, the Transmission System User shall only be charged for the use of the Entry or Exit Points, respectively, included in the relevant Approved Application.
4. To calculate the factors in the Transmission Tariff for each Entry and Exit of the Transmission System, an estimation of the Projected Demand as well as the Projected Contractual Capacity for each Year of the Regulatory Period is made separately for each Entry and Exit of the Transmission System.
5. All Interconnection Points with another Transmission System are considered as entry points for the purposes of this Regulation. Where a new exit point or an Entry or Exit Interconnection Point is created which connects the NNGS to another Distribution or Transmission System, with an LNG Facility or a Storage Facility in accordance with the approved Development Plan, the Operator shall submit to RAE, before the start of operation of that point, a proposal for calculating the charging factors applicable to that Point in accordance with Article 29. Following approval by RAE, the Operator shall publish the new tariff rates for that Point which shall apply from the date notified on the Operator's website as the one on which that point becomes operational.

Article 28. -

**Methodology for allocating the Transmission System Required Revenue of the NNGTS Entry and Exit Points**

1. For the allocation of the Required Revenue of the NNGTS Entry and Exit Points, the provisions of Regulation 2017/460 shall be followed.
2. By decision of RAE, a discount may be applied to the Transmission Capacity Charge Factor ( $\Sigma\Delta M$ ) for the use of an entry point by LNG Facilities, in accordance with the provisions of Article 9(2) of Regulation 2017/460. The Required Revenue corresponding to this deduction is recovered from the exit points of the Transmission System with an equal charge for all exit points. This discount is specified in the NNGS Required Revenue and Tariffs Approval Decision.

Article 29.

**Calculation of NNGS Usage Tariff Factors**

1. The Transmission Tariff shall include:
  - a. A Charge for Input or Offtake Transmission Capacity reserved by a Transmission System User at an Entry or Exit Point, respectively, in accordance with the provisions of the NNGS Network Code and the Approved Application signed with the Operator.
  - b. A Charge for the quantity of natural gas taken off by a User at a domestic Transmission System Exit Point in accordance with the Approved Application signed with the Operator.
  - c. A Separate LNG Socialization Charge for the Offtake Transmission Capacity reserved by a Transmission System User at an Exit Point of the NNGS.
2. To apply the Transmission Tariff, an Entry Point Transmission Capacity Charge Factor ( $\Sigma\Delta M_i$ ) is set for each entry point  $i$  and an Exit Point Capacity Charge Factor ( $\Sigma\Delta M_j$ ) and an LNG Socialization Charge Factor ( $\Sigma\Delta\Delta Y$ ) are set for each exit point  $j$ . For domestic exit points, an Energy Charge Factor ( $\Sigma EM_j$ ) is also set.
3. The factors referred to in paragraph 2 of this Article shall be calculated using the following formula:
  - a. With regard to entry points, a Transmission Capacity Factor shall be calculated in accordance with the provisions of Regulation 2017/460 for year  $i$  in question and the forecasted contractual entry point capacities in the same year.

$$\Sigma\Delta M_i^{init} = RRYME\_En_i / CAPT_i$$

Where:

$\Sigma\Delta M_i^{init}$  The initial Transmission Capacity Charge Factor.

$RRYME\_En_i$  The Transmission Service Required Revenue at Transmission System Entry Point  $i$  in the year the tariff relates to, in accordance with Article 22 and Article 28(1).

$CAPT_i$  The Forecasted Contractual Capacity of entry point  $i$ , in the year the tariff relates to.

- b.  $\Sigma\Delta M_j$  and  $\Sigma\Delta\Delta Y$  factors shall be charged for NNGTS exit points, plus a  $\Sigma EM$  factor only for domestic exits, calculated as follows:
  - $\Sigma\Delta M_j$  factors shall be calculated according to the following formula:

$$\Sigma\Delta M_j^{init} = RRYME\_Ex_j / CAPT_j \text{ in } [€/(\text{kWh HHV/Day})/\text{Year}]$$

Where:

**RRYME\_Ex<sup>A</sup><sub>j</sub>** Part A of the Required Revenue in accordance with the provisions of Regulation (EU) 2017/460 in the year the tariff relates to in accordance with Article 22 and Article 28(1).

**CAPT<sub>j</sub>** The forecasted Contracted Capacity of exit point j, in the year the tariff relates to.

- The  $\Sigma\Delta Y$  factor is calculated according to the following formula:

$$\Sigma\Delta Y = \text{RRSOC} / \sum_{j=1}^N \text{CAPT}_j \text{ in } [€/(\text{kWh HHV}/\text{Day})/\text{Year}]$$

Where:

**RRSOC** The Required Revenue Socialization of the LNG Service in the year to which the tariff relates, which is equal to (socLNG x RRY $\Phi$ ) in accordance with Article 23.

- The  $\Sigma\text{EM}$  factor shall be calculated according to the following formula:

$$\Sigma\text{EM} = \text{netORD} / \text{COMT\_Ex} \text{ in } [€/(\text{kWh HHV})]$$

Where:

**netORD** Part B of the Transmission Service Required Revenue in the year to which the tariff relates in accordance with Articles 10, 22 and 28.

**COMT\_Ex** The sum of the quantities of natural gas received from the domestic exit points in the year the tariff relates to.

4. In application of Article 28(2) with regard to the LNG Facility, a discount at the Agia Triada entry point equal to percentage c shall be calculated. The amount of the Agia Triada entry point discount is recovered through an increase of the Transmission Capacity Charge Factors for the exit points, according to the following formula:

$$c1 = c \cdot \Sigma\Delta M_{\text{Agia Triada}}^{\text{init}} \cdot \text{CAP}_{\text{Agia Triada}} / \sum_{j=1}^N \text{CAPT}_j$$

Where:

**$\Sigma\Delta M_{\text{Agia Triada}}^{\text{init}}$**  The initial Firm Transmission Capacity Charge Factor based on application of the methodology in Article 28(2) for Agia Triada.

**$\text{CAP}_{\text{Agia Triada}}$**  The forecasted Contractual Capacity at the Agia Triada entry point.

5. From the above, emerge the final Transmission Capacity Charge factors for entry and exist points, which are equal to (€/kWh HHV/Day)/Year):

$$j = j^{\text{init}} + c1$$

$$\Sigma\Delta M_{\text{ΑΓ.ΤΡΙΑΔΑ}} = \Sigma\Delta M_{\text{ΑΓ.ΤΡΙΑΔΑ}}^{\text{init}} \cdot (1 - c)$$

$$\Sigma\Delta M_{\text{i,non-LNG}} = \Sigma\Delta M_{\text{i}}^{\text{init}}$$

6. The LNG Tariff concerns a charge for the LNG Gasification Capacity reserved by the LNG User at the LNG Facility, in accordance with the provisions of the NNGS Network Code and the approved application which the LNG User has signed with the Operator.

7. For the purpose of applying the LNG Tariff, a LNG Gasification Capacity Charge Factor ( $\Sigma\Delta Y$ ) shall be set for the year to which the Tariff relates. The  $\Sigma\Delta Y$  factor shall be calculated according to the following formula:

$$\Sigma\Delta Y = \text{RRYY}\Phi / \text{CAPL in } [\text{€}/(\text{kWh HHV}/\text{Day})/\text{Year}]$$

Where:

**RRYY** $\Phi$  The Required Revenue of the LNG Service in the year to which the tariff relates in accordance with Article 23.

**CAPL** The forecasted Contracted LNG Capacity leaving the LNG Facility in the year to which the tariff relates.

8. The discount rate  $c$  as well as the factors  $\Sigma\Delta M_i$ ,  $\Sigma\Delta M_j$ ,  $\Sigma\Delta\Delta Y$ ,  $\Sigma EM$  and  $\Sigma\Delta Y$  are numerically defined in the Required Revenue and Tariffs Approval Decision for the first year of the Regulatory Period and in any tariff revision with the Tariff Adjustment Decision, in accordance with Articles 40 and 42 respectively for the year to which the Adjustment Decision relates.
9. To calculate **CAPT<sub>i</sub>**, **CAPT<sub>j</sub>**, **CAPL** and **COMT\_Ex**, regard is had to the most recent Firm Contracted Capacity forecast and the demand forecast submitted by DESFA to RAE.



## CHAPTER VII NNGS CHARGES AND TARIFFS

### Article 30.

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#### **NNGS usage charge for Long-Term Applications for Firm Capacity Transmission Services and LNG Facility Usage**

1. In the case of Long-term Approved Applications for Firm Capacity Transmission Services, the annual charge for the use of each entry point  $i$  or exit point  $j$  of the Transmission System shall be calculated according to the following formula:

$$XM_i = \Sigma \Delta M_i \times \Delta M_i + \Pi \Delta \times \Delta M_i$$

$$XM_j = \Sigma \Delta M_j \times \Delta M_j + \Sigma EM \times \Pi M_j + \Sigma \Delta \Delta Y \times \Delta M_j$$

Where:

$XM_i, XM_j$  The charge for using Transmission System entry point  $i$  or exit point  $j$ , respectively, in €/Year.

$\Sigma \Delta M_i, \Sigma \Delta M_j$  The Transmission Capacity Charge Factor for the entry or exit of the Transmission System to which entry point  $i$  or exit point  $j$  belongs respectively, in the year in which the charge is calculated, in €/(kWh HHV)/Day/Year.

$\Sigma \Delta \Delta Y$  The Socialization Charge Factor in €/(kWh HHV)/Day/Year.

$\Delta M_i, \Delta M_j$  The Firm Input or Offtake Transmission Capacity, in accordance with the relevant Approved Firm Capacity Services Application signed between User and Operator, for entry point  $i$  or exit point  $j$  respectively, expressed in (kWh HHV)/Day.

$\Sigma EM$  The Transmission Quantity Charge Factor for NNGTS exit points, for the year in which the charge is calculated, in €/(kWh HHV).

$\Pi M_j$  The quantity of natural gas allocated to the User at Exit Point  $j$  of the Transmission System respectively, during the year in which the charge is calculated, in (kWh HHV)/Year.

$\Pi \Delta$  (a) For entry points for capacity auctions: the part of the auction premium above the Reserve Price corresponding to the Operator after the application of the provisions of Article 21(3) of Regulation 2017/460, in €/(kWh HHV/Day)/Year. Especially in the case of conversion of transmission capacity, for the amount and duration of the conversion, the  $\Pi \Delta$  variable corresponds to the sum of the auction premium for non-Bundled Transmission Capacity and the auction premium for Bundled Transmission Capacity, by which the conversion took place, in accordance with the provisions of Article 34 of this Regulation.

(b) for the LNG entry point: the part of the Reserve Price premium under an LNG auction corresponding to the LNG Service. The above part of the premium of the Reserve Price shall be calculated as the product of the premium of the

Reserve Price, in the context of a LNG auction, times the ratio of the Reference Price of the LNG entry point to the sum of the Reference Price of the LNG entry point and the Reference Price of the LNG Facility. Where during the process of consolidating Bundled LNG Capacity in the context of the annual LNG planning in accordance with the provisions of Chapter 11 of the NNGS Network Code, all Bundled LNG Capacity corresponding to a Standard LNG Slot is consolidated into Continuous LNG Capacity, any increase in the Reserve Price that occurred during Phase I the auction for that Slot, to the extent that it corresponds to the Transmission Service, shall be added to the premium corresponding to the User's Continuous LNG Capacity and shall be paid to the Operator via the approved application for Firm Capacity Transmission Services, by which that capacity shall be reserved.

c. For other entry points, the  $\Pi\Delta$  variable receives a value equal to zero (0).

2. In the case of Long-term Approved Applications for Firm Capacity Services for the Use of the LNG Facility, the annual charge for the use of the LNG Facility shall be calculated according to the following formula:

$$XY = \Sigma\Delta Y \times \Delta Y + \Pi\Delta_{Y\Phi A} \times \Delta Y$$

Where:

<b>XY</b>	The LNG Facility usage charge in €/year.
<b><math>\Sigma\Delta Y</math></b>	The LNG Gasification Capacity Charge Factor for the year in which the charge is calculated, in €/(kWh HHV/Day)/Year.
<b>IM</b>	The Firm Gasification Capacity, in accordance with the relevant Approved Application for Firm Capacity Services for the Use of the LNG Facility signed between the User and the Operator, expressed in (kWh HHV).
<b><math>\Pi\Delta_{Y\Phi A}</math></b>	That part of the Reserve Price premium in the context of an LNG auction which corresponds to the LNG Service. The above part of the premium of the Reserve Price shall be calculated as the product of the premium of the Reserve Price, in the context of a LNG auction, times the ratio of the Reference Price of the LNG Facility to the sum of the Reference Price of the LNG entry point and the Reference Price of the LNG Facility. Where during the process of consolidating Bundled LNG Capacity in the context of the annual LNG planning in accordance with the provisions of Chapter 11 of the NNGS Network Code, all Bundled LNG Capacity corresponding to a Standard LNG Slot is consolidated into Continuous LNG Capacity, any increase in the Reserve Price that occurred during Phase I the auction for that Slot, to the extent that it corresponds to the LNG Service, shall be added to the premium corresponding to the User's Continuous LNG Capacity and shall be paid to the Operator via the Approved LNG Application by which that capacity is reserved.

3. Where the start or end date of a Long-term Approved Application for Firm Capacity Transmission Services or a Long-term Approved Application for Firm Capacity LNG Facility Use Services differs from the start or end date of a year, the following shall apply:
  - a. The User's charge is calculated separately for the parts of the duration of the Long-term Application before and after the change of year.
  - b. The factors  $\Sigma\Delta M_i$ ,  $\Sigma\Delta M_j$  and  $\Sigma\Delta Y$  in each case, as applicable for the respective year, shall be applied adjusted pro rata to the number of Days of duration of the Long-term Application before and after the change of year.
  - c. The variables  $\Delta M_i$ ,  $\Delta M_j$ ,  $\Delta Y$ , as applicable, refer to the total duration of the Long-term Application.
  - d. In calculating the charges under this Article, the variable  $\Pi M_j$ , refers to the parts of the duration of the Long-term Application before and after the change of year, and is multiplied by the  $\Sigma EM$  factor, as applicable for the corresponding year.

### Article 31. -

#### **Tariffs for use of an Interconnection Point in the context of the incremental capacity process**

1. In the case of tariffs for use of an Interconnection Point in the context of incremental capacity, in addition to the provisions of Article 30, the provisions of Article 33 of Regulation 2017/460 shall also apply.
2. By means of decision of RAE issued on a recommendation from the Operator, where a tariff is set for use of an Interconnection Point in the context of incremental capacity, a fixed price may be applied in accordance with Article 24(b) of Regulation (EU) 2017/460 provided that the conditions in Article 25(1)(b) of that Regulation are met.

### Article 32. -

#### **Use of capacity reservation auction premiums**

1. The auction premium acquired that is related to the Transmission service and the auction premium acquired that is related to the Basic LNG Facility Service, if any, shall be entered in a separate account for each service. For Transmission service the relevant provisions of Regulation (EU) 2017/460, and in particular Article 19(5) thereof are taken into account.
2. RAE, taking into account the Operator's proposal, shall decide on the part of the revenues from the auction premium to be used to reduce congestion or on the part to be taken into account in setting tariffs.
3. Revenues from the auction premium approved by RAE to be used to reduce congestion (reserves), shall be held in the separate accounts of paragraph 1 of this Article. The Operator shall inform RAE on an annual basis of the balance of said accounts, so that the Authority can decide whether to keep the said revenues in reserve or to use them when calculating the NNGS Required Revenue and the relevant Tariffs.

## Article 33.

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### **NNGS usage charge for Short-term Firm Capacity Service Applications**

1. In calculating the NNGS usage charge in the case of a Short-Term Transmission or LNG Facility Firm Capacity Use Application, a Short-Term NNGS Usage Charge Factor (Multiplier B) shall be set, which shall vary according to the duration of the Short-Term Application.
2. The value of Multiplier B at Interconnection Points for standard capacity products shall be set within the limits of Article 13(1) of Regulation 2017/460 following public consultation in accordance with the provisions of Article 28 of Regulation 2017/460.
3. The value of Multiplier B at the Interconnection Points, the Agia Triada entry point and the exit points, shall be determined after a multiplier B value study.
4. When preparing the study, the Operator shall ensure that:
  - a. There shall be no discrimination between entry points.
  - b. The value of Multiplier B at entry and exit points is not an obstacle to the conclusion of short-term Transmission Agreements.
  - c. The value of Multiplier B depends on the duration of the Short-term Application.
5. In the case of a Short-term Application for Transmission or Use of an LNG Facility on a firm basis lasting from 1 to 364 days, the total charge to the User shall be calculated in accordance with paragraphs 1 or 2 respectively of Article 30, with the following adjustments:
  - a. The factors  $\Sigma\Delta M_i$ ,  $\Sigma\Delta M_j$ ,  $\Sigma\Delta\Delta Y$  and  $\Sigma\Delta Y$  shall be applied adjusted in proportion to the number of Days in the part of the Year in which the User's Application is valid and multiplied by multiplier B corresponding to the total duration of the Application (limit value of non-annual standard product).

Especially in the case of an Approved Firm Capacity Services Application and an Approved LNG Application corresponding to a Standard LNG Slot for which the User was the highest bidder during the First Phase of the LNG Auction, within the framework of Annual LNG Planning, in calculating the User's total charge for the corresponding Approved Application, the adjustment of the above factors and the calculation of multiplier B shall be made on the basis of a time period equal to the sum of the LNG Unloading Day and the Temporary Storage Period of that Standard LNG Slot, irrespective of the duration of the Approved Application.
  - b. The variables  $\Delta M_i$ ,  $\Delta M_j$ ,  $\Delta Y$  and  $\Pi M_j$ , as applicable, refer to the total duration of the Short-term Application. In the case of integration of Bundled LNG Capacity in the context of Annual LNG Planning in accordance with the provisions of Chapter 11 of the NNGS Network Code:
    - The variable  $\Delta M_i$  for the LNG Entry Point shall be calculated as the arithmetic average of the Input Transmission Capacity reserved at the LNG Entry Point each Day during the validity period of the Approved Firm Capacity Services Application corresponding to each Standard LNG Slot expressed in (kWh HHV)/Day.
    - The variable  $\Delta Y$  shall be calculated as the arithmetic average of the LNG Gasification Capacity reserved each Day during the validity period of the

Approved LNG Application corresponding to each Standard LNG Slot, expressed in (kWh HHV)/Day.

6. In case of a Firm Capacity Short-Term Transmission Application for a duration of less than a Day at an Interconnection Point, the total charge of the User is calculated according to the following formula:

$$XM_i = \Sigma \Delta M_i' \times \Delta M_i' + \Pi \Delta \times \Delta M_i'$$

Where:

$\Delta M_i'$  The Firm Input or Offtake Transmission Capacity, in accordance with the relevant Approved Firm Capacity Services Application for a duration of less than a Day for entry point i for the Day period the reservation relates to, in (kWh HHV)/Day.

$\Sigma \Delta M_i'$  The limit value for the intraday standard capacity product as calculated using the following formula:

$$\Sigma \Delta M_i' = (B_{intra} \times \Sigma \Delta M_i \times H / 8760)$$

Where:

**H** The duration of the Intraday Transmission Capacity Product expressed in hours.

$\Sigma \Delta M_i$  The Transmission Capacity Charge Factor for entry point i in the year in which the charge is calculated, in €/ (kWh HHV)/Day/Year.

$B_{intra}$  The value of Multiplier B for the Intraday Transmission Capacity Product.  $B_{intra}$  is equal to the daily Multiplier B.

For leap years, the formula shall be adjusted so that the number 8760 is replaced by the number 8784.

7. In the case of a Short-term Application for Transmission on a firm basis of a duration of less than a Day at the Agia Triada Entry Point, the total charge of the User is calculated according to the following formula:

$$XM = \Sigma \Delta M' \times \Delta M'$$

Where:

$\Delta M'$  The Firm Input Transmission Capacity, in accordance with the relevant Approved Firm Capacity Services Application for a duration shorter than one Day for the Agia Triada Entry Point for the Day period that the reservation of capacity relates to is expressed in (kWh HHV)/Day.

$\Sigma \Delta M'$  The limit value for intraday capacity reservation as calculated using the following formula:

$$\Sigma \Delta M' = (B_{intra \text{ Agia Triada}} \times \Sigma \Delta M \times H / 8760)$$

Where:

**H** The duration of the intraday reservation of transmission capacity expressed in hours.

$\Sigma \Delta M$  The Transmission Capacity Charge Factor for the Agia Triada Entry of the Transmission System, for the year in which the charge is calculated, in €/ (kWh HHV)/Day/Year.

**B<sub>ind.Ag.Triada</sub>** The value of Multiplier B for intraday Firm Transmission Capacity. **B<sub>ind Agia Triada</sub>** is equal to the daily Multiplier B for the Reserved Input Transmission Capacity at Agia Triada.

For leap years, the formula shall be adjusted so that the number 8760 is replaced by the number 8784.

This paragraph shall apply provided that the corresponding product is offered in accordance with the NNGS Network Code.

8. In the case of a Short-term Application for the Use of an LNG Facility on a firm basis with a duration of less than one Day, the total charge to the User shall be calculated according to the following formula:

$$XY = \Sigma \Delta Y' + \Delta Y'$$

Where:

**IM'** The Firm Gasification Capacity, according to the relevant Approved Firm Capacity Services Application for the Use of an LNG Facility with a duration of less than one Day for the Day period that the capacity reservation relates to in (kWh HHV)/Day.

**$\Sigma \Delta Y'$**  The limit value for Intraday LNG Capacity Reservation as calculated using the following formula:

$$\Sigma \Delta Y' = (B_{\text{intra } Y\Phi A} \times \Sigma \Delta Y \times H / 8760)$$

Where:

**H** The duration of the Intraday Gasification Capacity Reservation expressed in hours.

**$\Sigma \Delta Y$**  The LNG Gasification Capacity Charge Factor for the year in which the charge is calculated, in €/(kWh HHV/Hour)/Year.

**intra.  $Y\Phi A$**  The value of Multiplier B for intraday reservation of gasification capacity. **B<sub>ind YΦA</sub>** is equal to the daily Multiplier B for the Firm Gasification Capacity at the LNG Facility.

For leap years, the formula shall be adjusted so that the number 8760 is replaced by the number 8784.

This paragraph shall apply provided that the corresponding product is offered in accordance with the NNGS Network Code.

9. Where the total duration of a Short-term Transmission Application or Firm Use of an LNG Facility includes time periods in two consecutive Years, the following shall apply:

- a. The User's charge is calculated separately for the parts of the duration of the Short-term Application before and after the change of the Year.
- b. The factors  $\Sigma \Delta M_i$ ,  $\Sigma \Delta M_j$ ,  $\Sigma \Delta \Delta Y$  and  $\Sigma \Delta Y$  in each case, as applicable for the respective Year, shall be applied adjusted pro rata to the number of Short-Term Application Days before and after the change of Year.
- c. The variables  $\Delta M_i$ ,  $\Delta M_j$ ,  $\Delta Y$ , as the case may be, refer to the total duration of the Short-term Application.

- d. Multiplier B refers to the total duration of the Short-term Application.
- e. In calculating the charges under this Article, the variable  $\Pi M_j$  refers to the parts of the duration of the Short-term Application before and after the change of the Year, and is multiplied by the  $\Sigma EM$  factor as applicable for the respective Year.

Article 34. -

**Capacity Reservation Charge in cases of Release, Assignment, Return of Transmission Capacity or LNG Gasification Capacity or in case of Capacity Conversion**

1. In the case of Release of Input/Offtake Transmission Capacity or LNG Gasification Capacity for a certain period of time in accordance with the provisions of the NNGS Network Code, the User from whom the Release was made shall be exempt from the capacity charge corresponding to the released capacity multiplied by the factor  $\Sigma \Delta M_i / \Sigma \Delta M_j / \Sigma \Delta \Delta Y / \Sigma \Delta Y$  adjusted pro rata with the number of Capacity Release Days and the Multiplier B relating to its approved application. The User for whom the release is made shall sign a separate application for the said capacity and shall be billed in accordance with Articles 30 and 33 as appropriate.
2. In the case of Assignment of Input/Offtake Transmission Capacity or LNG Gasification Capacity for a certain period of time in accordance with the provisions of the NNGS Network Code, the assignor User shall be exempt from the capacity charge corresponding to the capacity assigned multiplied by the factor  $\Sigma \Delta M_i / \Sigma \Delta M_j / \Sigma \Delta \Delta Y / \Sigma \Delta Y$  adjusted in proportion to the number of days of duration of the capacity allocation and Multiplier B relating to its approved application. The assignee User shall sign a separate application for the said capacity and shall be billed on the basis of the same parameters as above.
3. In the case of Return of Firm Input/Offtake Transmission Capacity, the Provider User shall be exempted from the capacity charge which is calculated as the product of the part of the Returned Transmission Capacity reserved by another Transmission System User, times the factor  $\Sigma \Delta M_i / \Sigma \Delta M_j / \Sigma \Delta \Delta Y$  adjusted pro rata with the number of days of the duration of the Capacity Return and Multiplier B relating to its approved application. In this case, the billing to the other User of this Transmission Capacity shall be effected in accordance with Articles 30 and 33 as the case may be.
4. In cases of auction points in particular, the assignor and the providing User shall be exempted, in addition to the provisions of paragraphs 1 to 3 of this Article, from the charge which may correspond to an auction premium ( $\Pi \Delta$ ) for the said capacity in accordance with the provisions of Article 30. In the case of assignment, this auction premium shall be borne by the assignee User accordingly.
5. Especially in the case of an auction point at which a Transmission Capacity Conversion takes place, the User in question shall be charged for the amount and for the duration of the Conversion with the sum of the charge of the Converted Transmission Capacity resulting from the Approved Firm Capacity Services Application with which the Converted Transmission Capacity was reserved and the charge which may correspond to the auction premium of the Bundled Transmission Capacity Standard Product with which the Conversion was made.

Article 35. -

**Charge for Capacity Reservation on Interruptible Basis**

1. Where under the NNGS Network Code it is permitted to reserve transmission capacity or LNG gasification capacity, as appropriate, on an interruptible basis in accordance with the provisions of Article 71(2) of the Law, the charge for using the NNGS shall be calculated in accordance with the provisions of Articles 30 and 33 as appropriate, where the capacity charge factors are multiplied by the factor  $(100\% - D_{\text{ex-ante}})$ .  $D_{\text{ex-ante}}$  means the possibility of the Operator suspending reserved capacity, as calculated and published by the Operator in accordance with the specific provisions of the NNGS Network Code. The  $D_{\text{ex-ante}}$  factor can have values greater than zero and less than one hundred percent (100%).
2. In calculating  $D_{\text{ex-ante}}$  the provisions of Chapter III of Regulation 2017/460 shall be followed.
3. The aforementioned discount on the charge for reservation on an Interruptible Basis may be recalculated during the Year in accordance with the provisions of Article 12(3)(a) of Regulation (EU) 2017/460.

Article 36. -

**Charge for the use of Coupled Transmission Capacity and Conditional Transmission Capacity**

1. Where, in accordance with the provisions of the NNGS Network Code, Coupled Input, Offtake Transmission Capacity is available, which is offered in addition to any Input, Offtake Transmission Capacity on a firm basis at the same Entry Point - Exit Point respectively, the charge for using this Coupled Transmission Capacity for each point of the Coupled Pair of Points shall be calculated in accordance with Articles 30 and 33, where the Transmission Capacity Charge Factor for the Entry Point ( $\Sigma\Delta M_i$ ) or the Exit Point ( $\Sigma\Delta M_j$ ) is multiplied by the percentage  $(100\% - B_{\text{exante}})$ .  $B_{\text{exante}}$  is equal to 10% and may be revised following a reasoned recommendation submitted by the Operator and approval by RAE.
2. (a) where, in accordance with the NNGS Network Code, Conditional Transmission Capacity is available as Input at an entry point and Offtake at an exit point, which is offered in addition to any Transmission Capacity on a firm basis at the same point, the charge for the use of such Transmission Capacity at the point where it is available shall be calculated in accordance with the provisions of Articles 30 and 33, respectively, where the Transmission Capacity Charge Factor for the entry point ( $\Sigma\Delta M_i$ ) or the exit point ( $\Sigma\Delta M_j$ ) is multiplied by the percentage  $(100\% - C_{\text{exante}})$ . The variable  $C_{\text{exante}}$  is equal to the percentage probability, partial or total, of a restriction on the use of Conditional Transmission Capacity, calculated statistically by the Operator based on historical data of at least one year, excluding periods of Crisis or Scheduled Maintenance of the NNGS in case these events affect the gas flow at the said point, with the necessary adjustments resulting from estimates of the Operator based on any recent or expected developments in the natural gas market, expansions of the NNGS or its connected systems, or any other factor that may affect the conditions under which Conditional Transmission Capacity is offered at that point, including information that Users may provide on expected future gas flows. In the absence of historical data, the minimum value of variable  $C_{\text{exante}}$ , as defined below, shall apply.  
(b) The variable  $C_{\text{exante}}$  may not be less than 10%.



(c) The numerical value of variable  $C_{\text{exante}}$  per level of the Conditional Transmission Capacity offered shall be approved by RAE on the basis of a recommendation submitted by the Operator.

## Article 37. -

### Transmission System Exit Charge for a New Customer

1. For the supply of a New Customer of the Natural Gas Offtake Facility connected to the Transmission System at a specific Exit Point, and for the first six (6) Months of operation of the facility, including the Month in which the first input and offtake of natural gas took place (Trial Operating Period), the tariff for the use of such Exit Point of the Transmission System includes only a charge proportional to the Natural Gas Quantity as allocated exclusively for the new Customer to the respective Transmission System User.
2. The relevant tariff rate for the year to which the tariff relates shall be determined according to the following formula:

$$\text{XNII} = (\text{RRYME\_Ex}^{\text{A}} + \text{netORD}) / \text{COMT\_Ex}$$

Where:

**XNII** The New Customer Charge for supplying a natural gas offtake facility for the Trial Operating Period in the year the tariff relates to in €/kWh HHV).

**RRYME\_Ex<sup>A</sup>** The total Required Revenue of the Transmission Service at the exit points of the Transmission System (Part A) in the year the tariff relates to, calculated in accordance with Articles 22 and 25.

**netORD** The Required Revenue of the Transmission Service at the Transmission System exit points in the year the tariff relates to, calculated in accordance with Articles 10, 22 and 25.

**COMT\_Ex** The sum of the Quantities of Natural Gas received from each exit point in the year the tariff relates to.

3. The XNII factor is defined in the Required Revenue and Tariffs Approval Decision for the first year of the Regulatory Period and in any tariff revision in the Tariff Adjustment Decision in accordance with Articles 43 and 44 respectively.
4. After the end of the Trial Operating Period, the Transmission Tariff charges shall normally apply to the use of the exit point.
5. For the year in which the Trial Operating Period ends, the  $\Sigma\Delta M_j$  factor shall be calculated pro rata with the remaining part of the Transmission Application within the year after the end of the Trial Operating Period, calculated on the basis of days.

## Article 38. -

### Exceedance charges

1. Where the quantity of natural gas allocated to a Transmission System User on day d at the entry or exit point of the Transmission System in accordance with the provisions of the NNGS Network Code and the approved application(s) exceeds the total Input or Offtake Transmission Capacity respectively which that User had reserved at the entry point or exit point on the same day d, the User shall pay to the Operator a charge for exceeding reserved Transmission Capacity. The exceedance charge for firm transmission capacity shall be calculated as the product of the difference between the quantity of natural gas allocated to the User on day d at the entry point or exit point

less the total Transmission Capacity which the same User had reserved on the same day d at that entry point or exit point, times the corresponding factors  $\Sigma\Delta M$  and  $\Sigma\Delta\Delta Y$ , divided by 8760 and multiplied by Multiplier B corresponding to Short-term Firm Transmission Capacity of one (1) Day, augmented by p (%).

2. Where in accordance with the provisions of the NNGS Network Code and the approved LNG Application(s), the quantity of LNG gasified on behalf of a LNG User on Day d exceeds the total LNG Gasification Capacity which that LNG User had reserved on the same Day d, the LNG User shall pay the Operator a charge for exceeding the firm LNG Gasification Capacity. The charge for exceeding Firm Gasification Capacity shall be calculated as the product of the difference between the quantity of natural gas gasified on behalf of the LNG User on day d, less the total Gasification Capacity which that User had reserved on the same day d, times the  $\Sigma\Delta Y$  factor divided by 8760 and multiplied by the corresponding Multiplier B which corresponds to Short-term Gasification Capacity reservation of one (1) day duration, augmented by p (%).
3. In cases 1, 2 and 3 of Article 34 and for the purpose of calculating the User's daily exceedance, Firm Input/Offtake Transmission Capacity or Firm LNG Gasification Capacity shall mean that before the application of the cases of Article 34, less the capacity for which there is a charge exemption in accordance with the same Article.
4. The percentage p (%) is defined in the Required Revenue and Tariffs Approval Decision in each revision of the tariffs or in the Tariff Adjustment Decision.

### Article 39. - NNGS Usage Tariff

1. In billing usage of the Transmission System, the following shall apply for each Transmission Agreement:
  - a. The capacity charge, based on the Transmission System Entry or Exit Point Firm Transmission Capacity, shall be calculated for each Entry or Exit Point and shall be paid by the Transmission System User per Month, depending on the period of the Month in which the Transmission Application is valid.
  - b. The quantity charge shall be calculated for each Transmission System Exit Point and shall be paid by the Transmission System User per Month based on the quantity of natural gas received by the User during the Month.
  - c. The Operator shall issue within the first twenty (20) days after the end of the Month to which they relate, an invoice for all Approved Applications of the User that were in force during the Month, with reference to such Applications. The invoice issued by the Operator shall separately set out:
    - i. The capacity charge for each Entry Point and for each Exit Point of the Transmission System to which the Approved Transmission Applications relate before the application of the cases of Article 34. The capacity charge at Exit Points relating to the LNG Socialization shall be reported separately.
    - ii. The capacity credit corresponding to the charge waivers under Article 31 of this Regulation for the respective Entry/Exit Points.
    - iii. The quantity charge for each Exit Point of the Transmission System to which the Approved Transmission Applications relate.
    - iv. The LNG Socialization Charge for each Exit Point of the Transmission System to which the Approved Transmission Applications relate.

- v. The Exceedance Charges under Article 38 for the respective entry/exit points.
  - vi. Other charges/credits applied to the User based on the provisions of the NNGS Network Code.
  - vii. The total charge to the Transmission System User calculated as the algebraic sum of the said charges/credits.
2. In billing the use of the LNG Facility, the following shall apply per LNG Agreement:
- a. The capacity charge, based on the reserved LNG Gasification Capacity, shall be calculated and paid by the LNG User per Month, depending on the number of Days of the Month on which the Approved LNG Application is in effect.
  - b. The Operator shall issue, within the first twenty (20) days after the end of the Month to which they relate, a single invoice for all Approved Applications of the User which were in force during the previous Month, with special reference to those applications. The invoice issued by the Operator shall separately set out:
    - i. The capacity charge before the application of the cases of Article 34.
    - ii. Capacity credit corresponding to discounts under Article 34.
    - iii. Exceedance charges under Article 38.
    - iv. Other charges/credits applied to the User based on the provisions of the NNGS Network Code.
    - v. The total charge to the LNG User calculated as the algebraic sum of the above charges/credits.

## **SECTION IV: PROCEDURE FOR PREPARING NNGS REVENUE AND TARIFFS**

### **CHAPTER VIII**

#### **Article 40. -**

#### **Allowed Revenue Preparation Process**

1. Allowed Revenues are calculated in the year before the start of the Regulatory Period (Calculation Year). In order to calculate the Allowed Revenue for each year *i* of the Regulatory Period, the Operator shall, without prejudice to paragraph 1 and 6, submit by 30 June of the year before the Calculation Year (Submission Year), inter alia, the following data to RAE:
  - a. The Operator's Recommendation for the Allowed Revenue for the Transmission Service and the LNG Facility Service, with detailed estimates of the parameters that make up the Operator's Allowed Revenue for each year *i* of the Regulatory Period separately per year and Service, in accordance with the provisions of this Regulation.
  - b. The Operator's Recommendation on the Allowed Revenue for Non-Transmission Services and Ancillary LNG Services, with detailed estimates of the parameters that make up the Allowed Revenue of each Operator's Service for each year *i* of the Regulatory Period separately per year and Service, in accordance with the provisions of Article 26 of this Regulation.

- c. A detailed recommendation on the requested rate of return (based on the WACC methodology in accordance with Article 19), accompanied by an analysis of the individual parameters comprising it, as well as the reasons (if any) for differentiating the rate of return per Service.
  - d. Ex-post data of the controllable operating expenses for the Transmission Service and the LNG Facility Service up to and including the second year before the Calculation Year, as well as estimates for the year preceding the Calculation Year, together with documentation of the parameters referred to in Article 12(3). The ex-post data of controllable operating expenses for the year preceding the Calculation Year shall be updated during the Calculation Year and before the approval by RAE of the Allowed Revenue on the basis of actual data as soon as it is available.
  - e. The Fixed Asset Regulatory Register for the Transmission Service and the LNG Facility Service (as well as for the Non-Transmission Services and the Ancillary LNG Services per service if required to determine the revenue of the Non-Transmission Services and the Ancillary LNG Services), as it has been compiled in the last year ended at the time of submission of the data (i.e. the second year prior to the Calculation Year), accompanied by additional data necessary for calculation of the value of the RAB per service where required and taken into account for the Allowed Revenue of each service of the Operator (estimated amount of investments for the last two years of the current Regulatory Period, new investments, Holdings and Grants file, Withdrawals file, minimum pipeline and LNG reserves, etc.).
  - f. Budgeted data for the amount arising from the Operator's revenues from other Services (whether regulated or not) in the case where the capital employed and operating expenses for those Services have been included in the said estimates.
  - g. A cost/benefit study on the contribution of the LNG Facility to balancing of the NNGS load, the security of supply and the facilitation of the entry of new Suppliers in the natural gas market and a proposal on the percentage of Socialization of the Required Revenue of the LNG Service.
  - h. Updated information on the amount of the Old Recoverable Difference.
2. Taking into account the information submitted by the Operator in accordance with paragraph 1, and the criteria of reciprocity and reasonableness of costs, RAE shall set the Operator's Allowed Revenue for each year of the Regulatory Period and for LNG Transmission and Facility Services respectively, in accordance with Article 10, as well as for Non-Transmission Services and Ancillary LNG services in accordance with Article 26 and the use of revenues from interconnections. RAE's decision to set the Allowed Revenue for an operator's Regulatory Period in accordance with paragraph 1 shall be issued after:
  - a. Review of the data and recommendations of the Operator submitted. RAE may contact experts to provide an independent evaluation of the costing and other data submitted by the Operator.
  - b. The publication and public consultation on the initial recommendation of the Operator and/or RAE estimate of the Allowed Revenue figures and the basic parameters comprising it.
3. In the context of the need to unbundle expenditure and capital employed per Service, the Operator must apply the approved accounting separation rules to the recommendation submitted to calculate the Allowed Revenue.

4. At the end of each Regulatory Period, RAE shall re-examine all Allowed Revenue parameters, and shall update the estimates of those parameters which are not re-examined during the period.
5. The Allowed Revenue of NNGS Services is approved by the Decision Approving Required Revenue and Tariffs until 31 May of the Calculation Year.

#### Article 41. -

### **Ex-ante preparation of Transmission Service and Basic LNG Facility Service Tariffs at the beginning of the Regulatory Period**

1. Along with the Operator's recommendation for Allowed Revenue by 30 June of the year preceding the Calculation Year (Submission Year), the Operator shall submit to RAE a draft of revised NNGS usage tariffs (Draft Tariff) accompanied by:
  - a. The forecasts of the development of natural gas demand and the forecasted Contractual Capacity, for the first year of the Regulatory Period and separately for the Transmission Service and the LNG Facility Service. The above forecasts shall take into account the most recent Firm Contractual Capacity forecast.
  - b. A substantiated proposal for the values of Multiplier B for the NNGS Usage Charge in the case of Short-term Contracts, in accordance with Article 33 for the first year of the Regulatory Period
  - c. A Draft Tariff, including all the elements and parameters that, in accordance with the provisions of this Regulation, are determined by a Required Revenue and Tariffs Approval Decision, as well as the resulting capacity charge and natural gas quantity charge factors for each Service and entry and exit of the Transmission System.
2. The ex-ante Tariffs of the Transmission Service and the LNG Facility Service shall be approved by the Required Revenue and Tariffs Approval Decision by 31 May of the Calculation Year.
3. The new Tariffs are valid for the first year of the Regulatory Period subject to Article 88(5) of the Law.
4. Upon every revision of the Tariffs, the proposed tariffs shall be subject to a Public Consultation in accordance with Article 45.

#### Article 42. -

### **Extraordinary Revision of Allowed Revenue of the Transmission Service and the Basic LNG Facility Service (and adjustment of the factors for the Transmission and LNG Tariffs)**

1. An extraordinary revision of the Allowed Revenue may be carried out following a request to that effect from the Operator or a decision of RAE where one or more of the following conditions apply:
  - a. Where during the Regulatory Period the Operator is required to cover extraordinary and significant operating and maintenance costs which could not have been foreseen when preparing the Operator's recommendation and the relevant budget studies for the Allowed Revenue for the years of the Regulatory Period. Likewise, a similar case is a major cut in operating expenses within the Regulatory Period due to external factors. Such cases shall be limited in general (but not restrictively to) significant changes in non-

controllable operating expenses arising from force majeure events and changes in the Operator's legally binding obligations.

- b. Where the economic, legal or actual data taken into account in the approval of the Allowed Revenue has changed significantly and is estimated to lead to a variation of the annual Allowed Revenue by more than five percent (5%). Where the extraordinary revision procedure is initiated at the Operator's request, the Operator is obliged to submit it in writing and include:
  - i. Detailed documentation of the reasons why the revision is necessary (data on the change in the figures for the Allowed Revenue and an indication of the deviation of these figures from the initially approved values).
  - ii. Evidence demonstrating or arguing that the expenditure could not have been foreseen when determining the Allowed Revenue and that, in the absence of the revision, the financial impact would exceed five cent (5%) of the annual Allowed Revenue.
  - iii. A detailed recommendation with the Allowed Revenue values proposed for revision.
  - iv. Recalculation of the Usage Charges of the NNGS tariffs and the values of multiplier B, for year  $i+1$ , in accordance with Articles 30 and 35 and taking into account the most recent estimates of the Reserved Capacity Forecast and the forecasted estimate of demand.
  - v. An assessment of the impacts on the Operator's problem-free operation where the request for extraordinary revision is not accepted.
2. The Operator's request for the extraordinary revision shall be evaluated by RAE. Formal completeness of the request does not remove RAE's ability to request additional information or clarifications relating to substantive examination of the request. RAE shall decide within a reasonable time period and in all events no more than 5 months from the date on which the Operator's request was deemed to be formally complete. Rejection of the Operator's request shall be fully reasoned by RAE. Failure by RAE to issue a decision shall not entail tacit acceptance of the request.
3. RAE shall issue the Extraordinary Tariff Adjustment Decision with the approved tariff rates and short-term tariff rates B for year  $i+1$ , which shall apply from the start of that year, without prejudice to Article 88(5) of the Law.
4. With the Extraordinary Tariff Adjustment Decision, the Allowed Revenue shall be updated for the remaining years of the Regulatory Period in accordance with Article 10 for the Transmission Service and the LNG Facility Service respectively.

#### Article 43. -

### **Procedure for the Preparation of the Required Revenue of the Transmission Service and the Basic LNG Facility Service**

1. To calculate the Required Revenue for each year  $i$  of the Regulatory Period, and to monitor the change in figures, the Operator must submit the following data to RAE by 31 March each year:
  - a. Ex-post data on the difference between the amount collected by the Operator from the Transmission Tariffs and the LNG Facility Tariffs and the corresponding

- approved Transmission Service and LNG Service Required Revenue in year i-2 (parameters **P1T<sub>i</sub>** and **P1L<sub>i</sub>**).
- b. Full and detailed data for the calculation of the deviation of the Allowed Revenue of the Operator in year i-2 due to deviation from the budgeted investments and a documented recommendation for calculation of the relevant settlement amount of the Required Revenue separately for the Transmission Service and the LNG Facility Service (parameters **P2T<sub>i</sub>** and **P2L<sub>i</sub>**).
  - c. Full and detailed data for the calculation of the deviation of the Allowed Revenue of the Operator in year i-2 due to deviation from the budgeted non-controllable operating expenses as well as expenses relating to provisions formed which are expensed and a documented recommendation for calculation of the relevant settlement amount of the Required Revenue for the Service Transmission and the LNG Installation Service respectively (parameters **P3T<sub>i</sub>** and **P3L<sub>i</sub>**).
  - d. Ex-post data on the amount arising from the Operator's revenues from other Services, in the case where the operating expenses of those other services have been included in the calculation of the Operator's Required Revenue for the Transmission Service and the LNG Facility Service respectively (parameters **P4T<sub>i</sub>** and **P4L<sub>i</sub>**).
  - e. Full and detailed data for calculation of the deviation of the Allowed Revenue of the Operator in year i-2 due to a significant change in the tax rate, as well as a documented recommendation for calculating the relevant settlement amount of the Required Revenue separately for the Transmission Service and the LNG Facility Service (parameters **P5T<sub>i</sub>** and **P5L<sub>i</sub>**).
  - f. Ex-post data on the amount arising from revenues from the Operator's auction premium in year i-2 to determine the relevant settlement amount of the Required Revenue separately for the Transmission Service and the LNG Facility Service (parameter **P6T<sub>i</sub>** and **P6L<sub>i</sub>**).
  - g. Full and detailed data for calculation of the recoverable differences of the LNG Truck Loading Service and the LNG Loading Service on small-scale LNG vessels in year i-2 for calculating the relevant settlement amount of the Required Revenue of the Basic LNG Facility Service (parameters **P<sub>TFL</sub>** and **P<sub>SSLNG</sub>**). Full and detailed data for calculation of the deviation in the Required Revenue (and specifically for the portion of controllable operating expenses) of the Operator arising due to the difference between the previously estimated inflation and the ex-post inflation (based on ELSTAT data) for that year separately for the Transmission Service and the LNG Service (parameters **INFT<sub>i</sub>** and **INFL<sub>i</sub>**).
  - h. The Fixed Asset Regulatory Register, as it has been prepared for the last financial year ended, accompanied by files necessary for calculating the value of the RAB (Holdings and Grants file, Withdrawals file, etc.).
  - i. Ex-post data in year i-2 of the net profits from Non-Regulated Services, unbundled (excluding corporate holdings) and offered by the Operator using the Operator's assets and/or human and other resources to determine the percentage transferred to the benefit of NNGS Users.
  - j. Actuarial data on the parameters comprising the Operator's Allowed Revenue for the previous year and an updated budget for the current year.
  - k. Published financial statements for the previous year and an extract from the Fixed Assets Register showing the total carried value of fixed assets and depreciation (cumulative and annual) shown in the financial statements.

2. The Required Revenue for each year of the Regulatory Period shall be approved by RAE by 31 May of the previous year, on the basis of the data submitted in accordance with paragraph 1 of this Article.

#### Article 44.

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#### **Adjustment of Transmission and LNG Tariff Factors based on Required Revenue**

1. Together with the data for calculation of the Required Revenue by 31 March of each year, the Operator shall submit the annual tariff factors  $\Sigma\Delta M_i$ ,  $\Sigma\Delta M_j$ ,  $\Sigma\Delta\Delta Y$ ,  $\Sigma EM$  and  $\Sigma\Delta Y$  and the multiplier B values for year  $i+1$  in accordance with Articles 29 and 33 for each entry and exit point of the NNGTS and the LNG Facility, taking into account:
  - a. the Required Revenue for year  $i+1$ ; and
  - b. the most recent values for the parameters  $CAPT_{i,i+1}$ ,  $CAPT_{j,i+1}$ ,  $COMT_{j,i+1}$ ,  $CAPL_{i+1}$  as defined in Article 29 for each Entry and Exit Point of the NNGTS and the LNG Facility.
2. RAE shall issue a Tariff Adjustment Decision with the approved tariff rates for year  $i+1$ , which shall apply from the beginning of that year, without prejudice to Article 88(5) of the Law.
3. The same Tariff Adjustment Decision shall also determine the short-term charge factors B for the year to which the Adjustment Decision relates, in accordance with Article 33.

#### Article 45. -

#### **Publication and consultation obligations for Transmission Service Tariffs**

1. The Operator shall publish in a special section of its electronic information system the information specified in Articles 26 to 30 of Regulation (EU) 2017/460, following the format and deadlines of Articles 31 and 32 of the same Regulation.
2. Before the start of each Regulatory Period, the Operator shall submit to RAE the information required for the public consultation referred to in Articles 26 to 28 of Regulation (EU) 2017/460 and beyond that period in the case of a proposal by the Operator or a request by RAE to amend this Regulation.



## **SECTION V: TRANSITIONAL AND FINAL PROVISIONS**

### **CHAPTER IX**

#### **Article 46. -**

#### **Transitional provisions**

1. Exceptionally for the First Regulatory Period, the information required under Article 40 must be submitted by the Operator by 28 February 2023.
2. The Allowed Revenues and Charges for Non-Transmission Services and Ancillary LNG Facility Services shall be calculated and approved on the basis of separate decisions of RAE. In the meantime, the permissible revenues for those services shall be calculated based on the Regulations contained in RAE Decision No. 1434/2020, with the difference that deviations between the permissible and required revenues may not be imputed to the Basic Transmission Service and the Basic LNG Facility Service, subject to Article 26(13).
3. For the First Regulatory Period (2024-2027) the weighted average cost of capital under Article 19 will be calculated separately per year, based on a gearing ratio that starts from the Operator's current rate (based on its financial statements) and changes to an ideal rate of at least 45% by 2027 and mainly taking into account the Operator's current weighted cost of debt with regard to the outstanding balance of the loans.
4. The performance incentives and their integration into the Required Revenue in accordance with the  $INCT_i$  parameter referred to in Article 22 and the  $INCL_i$  parameter referred to in Article 23 will be implemented as of 1 January 2025 based on ex-post data for 2023. The incentives may relate to all performance indicators or a subset thereof, to be determined by decision of RAE on a recommendation from the Operator.
5. The obligation contained in this Regulation to submit data under the Accounting Separation Rules (Article 8(1)(a), Article 9(4)(d), Article 15(2) and (6) and Article 40(3)) shall apply from approval of the updating of those rules by RAE. In the meantime, the information required shall be submitted in accordance with the applicable provisions of RAE Decision 332/2016.
6. The evaluation by RAE of the investments submitted by the Operator under the Development Plan and its recommendation for Allowed Revenue in accordance with Article 40 shall be carried out on the basis of a new decision of RAE on the evaluation and monitoring of the Development Plan investments. In the meantime, the evaluation of the NNGS Development Projects for inclusion in the Development Plan shall be carried out on the basis of the following:
  - a. The Operator shall calculate the impact of the implementation of the NNGS development project on the NNGS Average Usage Charge for the Average Billing Period.
  - b. The Average NNGS Usage Charge during the Average Charge Period shall be calculated using the mathematical formula in Article 25(1), corrected to present value in the first year of the Average Charge Period.
  - c. In calculating the present value of the figures mentioned in section ii above, the current Weighted Average Cost of Capital of Article 19 shall be used as the conversion rate.

- d. In calculating the impact on the Average NNGS Usage Charge, the budgeted investment cost for implementation of the project is taken into account, less any subsidies, capitalized construction period interest and Self-produced fixed assets, the budgeted operating expenses resulting from the implementation of the project, as well as the additional Transmission Capacity estimated that it will commit to the NNGS with the implementation of the project.
  - e. Where the Operator has conducted an Open Future Capacity Reservation Procedure, the results thereof shall be taken into account in assessing the impact of the Development Project on the NNGS Average Usage Charge.
  - f. If the inclusion of the Development Project in the RAB does not cause an increase in the Average NNGS Usage Charge during the Average Charge Period, the Development Project shall be deemed to be economically neutral.
  - g. Where the inclusion of a Development Project in the RAB causes an increase in the Average NNGS Usage Charge during the Average Charge Period, RAE shall consider the contribution of that project to the security of supply of the country and the development of competition in the national and regional gas market.
  - h. For the assessment of a Development Project concerning the creation of a new Interconnection Point, or an increase of the capacity of an existing one, in the context of the incremental capacity process, the provisions of Commission Regulations (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013, Chapter V "Incremental Capacity Process" and Regulation 2017/460, Chapter IX "Incremental Capacity" shall apply.
  - i. On a recommendation from the Operator, mutatis mutandis application of the provisions of Regulation (EU) 2017/459 and Regulation (EU) 2017/460 on incremental capacity may be permitted in other cases relating to cross-border development projects.
7. When determining the investments to be included in the RAB in accordance with Article 15(5), RAE may carry out an ex-post examination of the investments made in order to assess to what extent they were made in the appropriate manner (see point (c) below). This potential review by RAE shall be carried out on the basis of the new decision of RAE on the evaluation and monitoring of the Development Plan investments. In the meantime, the evaluation shall be carried out in accordance with the specific provisions of this Article:
- a. Ex-post evaluation of expenditure for investment implementation shall be carried out on the basis of ex-post data of a period of equal duration to the Regulatory Period and ending two years before the end of the current Regulatory Period. The evaluation is mainly carried out in cases where there is a significant overrun in relation to the total budgeted capital expenditure for this period. An excess in the value of investments of this period is considered significant when it is equal to or exceeds the materiality threshold, which is set at five percent (5%) of the cumulative capital expenditure of the Operator during the evaluation period, as these are determined based on the approved Development Plan that was in force at the beginning of the period under examination.
  - b. Without prejudice to the materiality threshold of the previous sentence, the review must take into account any tender processes used by the Operator to implement the investments, examine the causes of any cost deviations and determine whether these causes can be attributed to the actions of the Operator or external factors beyond its control (including Force Majeure).

- c. Without limiting the factors which RAE may consider when evaluating the Operator's implemented investments, RAE may take into account:
    - i. To what extent the costs are related to and consistent with requirements laid down by RAE or with requirements of relevant laws and regulations or the technical specifications of the projects/investments implemented.
    - ii. To what extent alternative methods for dealing with requirements and needs were examined and rightly precluded by the Operator.
    - iii. To what extent best or good practices were followed by the Operator.
    - iv. To what extent expenditure relating to improvements in indicators which are regulated via financial incentives is considered effective in relation to the improvement they achieve.
    - v. To what extent significant deviations between budgeted and ex-post costs are related to unexpected changes in material goods and services prices as well as changes in the applicable legislation during the project development and construction period.
    - vi. To what extent the Operator acted prudently and lawfully for the supply of goods, works and services, including whether an appropriate competitive procedure was followed.
  - d. After examining and evaluating the investments, RAE shall send its observations to the Operator to submit any comments within a specified deadline.
  - e. If, after consulting the Operator, RAE finds that certain costs do not meet the criteria in subparagraphs (i) and (iii) of this Article, it shall reduce the value of the investment to be added to the RAB by the amount corresponding to all or part of those costs.
8. The Methodology for the calculation of the return on the Regulated Asset Base in accordance with Article 19 of this Regulation shall remain in force until the issuance of a new regulatory framework specifying the issuance of a common Methodology and a decision approving the values of the Weighted Average Cost of Capital parameters simultaneously for all Natural Gas and Electricity Operators.
  9. The Recoverable Difference of years 2022 and 2023 is calculated based on the Tariff Regulation which were taken into account in the calculation of the Required Revenue and the Tariffs of these years, i.e. RAE Decision 1434/2020.

## Article 1. - **Final Provisions**

1. The Tariff Regulation shall enter into force on the date of its publication in the Government Gazette.
2. Solely for the purpose of billing the LNG Transmission and Facility Services, the provisions of the Regulation shall prevail over any contrary provision of the NNGS Network Code.
3. The amount of Allowed Revenue of the Transmission Activity and the LNG Facility Activity shall be set out in the Required Revenue and Tariff Approval Decision issued by RAE.
4. Annexes are attached to this Decision and form an integral part hereof.

## **ANNEX A: MILESTONES AND SEQUENCE OF REGULAR REVISIONS**

	<b>Submission Year</b>	<b>Calculation Year</b>	<b>Regulatory Period</b>
<b>First Issuing of Tariffs under the Regulation</b>	2023	2023	2024- 2027
<b>First regular review of Tariffs</b>	2026	2027	2028- 2031

## **ANNEX B: INDICATIVE TABLE CATEGORIZING REGULATED NON-TRANSMISSION AND ANCILLARY LNG SERVICES**

<b>Non-Transmission Services</b>	<ul style="list-style-type: none"><li>• Metering services (Metrology)</li><li>• Odourisation to natural gas distribution networks</li></ul>
<b>Ancillary LNG services</b>	<ul style="list-style-type: none"><li>• Cooling, inerting and filling of LNG vessel tanks</li><li>• Loading of high capacity LNG vessels (over 30,000 m<sup>3</sup>)</li><li>• LNG Truck Loading Service at the LNG Terminal</li><li>• Small-scale LNG loading service</li><li>• LNG bunkering for maritime use</li></ul>

...”

**B.** That this decision shall enter into force from its publication in the Government Gazette.

**C.** That this decision shall be published in the Government Gazette and posted on the RAE website and the NNGS Operator's website.

This decision may be challenged in accordance with the provisions of Article 33 of Law 4001/2011.

**Athens, February 2, 2023**

**The President of RAE**

**Assoc. Prof. Athanasios Dagoumas**