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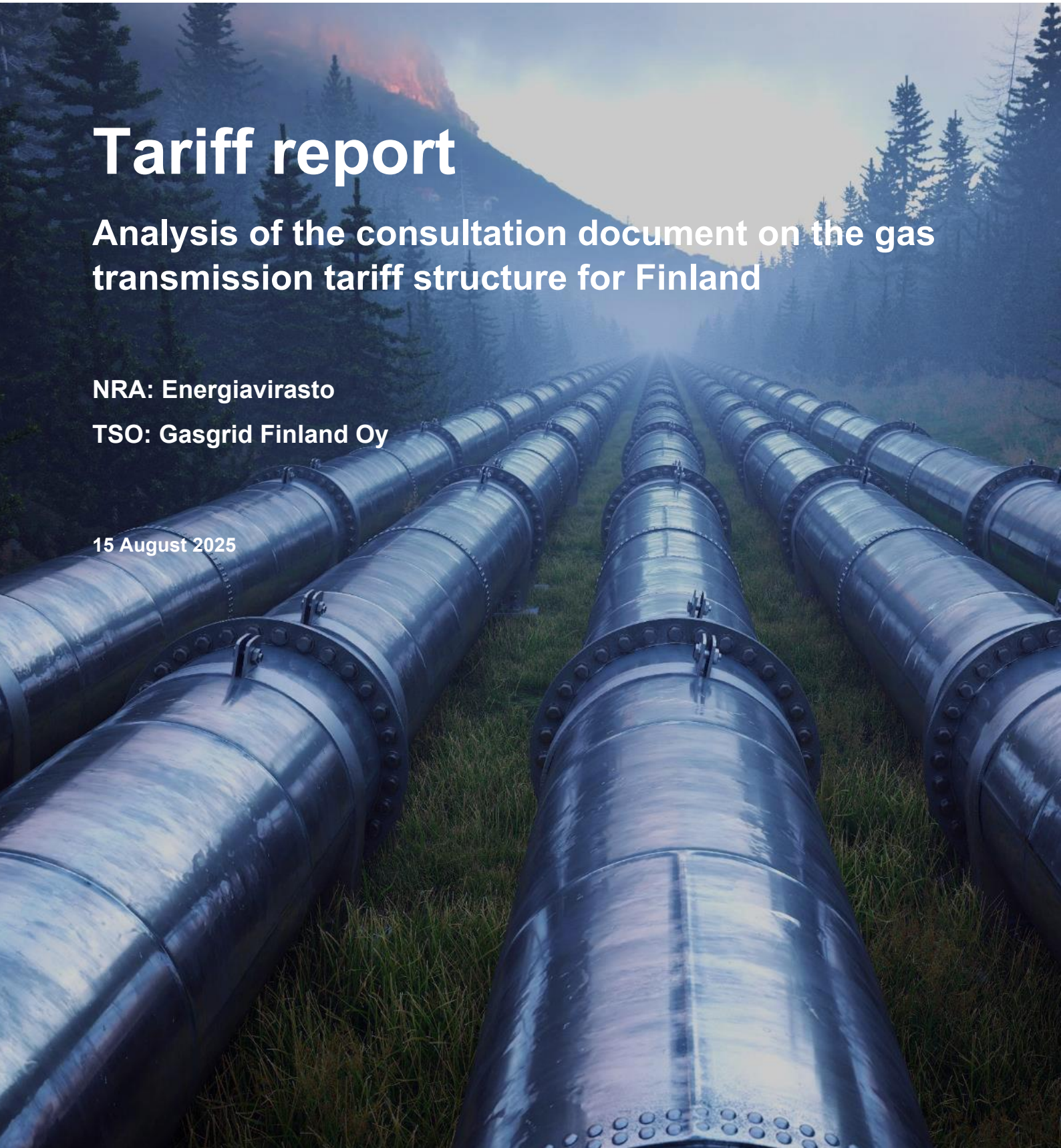

Tariff report

Analysis of the consultation document on the gas transmission tariff structure for Finland

NRA: Energiavirasto

TSO: Gasgrid Finland Oy

15 August 2025

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1. ACER conclusion

1 The Finnish natural gas transmission system operator ('TSO') Gasgrid Finland Oy ('Gasgrid') has carried out a consultation on the reference price methodology ('RPM') for the Finnish transmission network. This is Gasgrid's second consultation since Commission Regulation (EU) 2017/460 ('NC TAR') came into force.

2 The proposed RPM is mainly unchanged from the previously applied one. It is a postage stamp methodology, applied to Gasgrid, the single TSO in the Finnish entry-exit zone. The proposed postage stamp methodology is only used to calculate the tariffs for domestic exit points.

3 The proposed RPM shall apply from 1 January 2026. Indicative tariffs are calculated for the calendar year 2026.

4 The proposed methodology is complemented by the commonly agreed ruleset for the market integration of the Finnish, Estonian, and Latvian gas networks ('FinEstLat'), unchanged since their introduction, and consisting of the following:

- A common entry tariff of 142.77 EUR/MWh/d/y set at all external entry interconnection points ('IPs') of the FinEstLat zone;
- Zero tariffs at the IPs within the FinEstLat zone;
- An Inter-TSO compensation ('ITC') mechanism agreed and applied to the revenues collected from entries. The agreed revenues cover the variable costs of the three FinEstLat TSOs, and the remaining amount is distributed between TSOs proportionally to the consumption of each participating country.

5 The entry-exit split is calculated ex post based on the revenues from the common FinEstLat tariff and domestic exit tariffs: its value is foreseen to be 9%-91% for 2026.

6 No storage facilities are connected to the system. Gasgrid does not propose the application of a discount for the entry points from the two liquefied natural gas ('LNG') facilities.

7 The Finnish Natural Gas Market Act imposes a limitation on annual changes of transmission tariffs, restricting increases to no more than 15% on a yearly basis compared to the gas transmission tariffs collected during the 12 preceding months. Energiavirasto, the Finnish national regulatory authority ('NRA') may grant permission at the request of the system operator to deviate from this limit, if an exemption is necessary to meet the conditions for granting a natural gas network licence or to fulfil a network operator's statutory obligations.

8 Gasgrid proposes the application of discounts for renewable and low-carbon gases foreseen by Regulation (EU) 2024/1789 at production entry points without any derogation. Due to the FinEstLat merger which results in zero tariffs at the sole IP present in Gasgrid's network, renewable discounts at IPs cannot be applied.

9 No secondary adjustments (rescaling, benchmarking, equalisation) are proposed.

10 Gasgrid proposes the application of two kinds of commodity-based transmission tariffs: a flow-based charge and a newly introduced complementary revenue recovery charge based on the level of capacities agreed in the connection agreements of domestic exit points.

11 In addition, two kinds of non-transmission tariffs are proposed: the centralised data exchange charge, which is paid by distribution system operators for access to a TSO-operated datahub providing information on the retail market, and the Balticconnector underutilisation fee, which is a penalty paid by those system users that renominate below a tolerance limit set on the Balticconnector interconnector on congested days.

12 Compared to the RPM proposal submitted during the previous consultation, the current proposal has only one significant difference: the introduction of a connection capacity charge which Gasgrid categorises as a complementary revenue recovery charge. The purpose of this new charge is to ensure a more significant contribution to the costs of the transmission system by those users who have large technical capacities available but only book capacities during peak

periods. This charge is proposed to be charged to distribution system operators and to shippers transporting gas to end-users directly connected to the transmission network.

13 In line with the provisions of the NC TAR, Gasgrid carried out a cost allocation assessment ('CAA') and calculated the tariffs in accordance with the capacity-weighted distance ('CWD') methodology. The assessment resulted in the CAA index reaching a value of 200%, far above the 10% threshold foreseen by the NC TAR. Gasgrid justifies this value by referring to the effects of the market merger and the ITC mechanism. The CWD calculations were carried out in a way deviating from the requirements of NC TAR and used the technical capacity instead of the forecasted booked capacity. This renders the tariffs calculated based on the CWD methodology unfit for further comparisons.

14 The Agency appreciates the willingness of both Gasgrid and Energiavirasto to discuss the RPM and its provisions and to offer additional information in a timely manner.

15 The Agency, after having completed the analysis of the consultation document pursuant to Article 27(2) of the NC TAR concludes that:

- The information referred to in Article 26(1) of the NC TAR has been mostly published. The Agency provides commentary on the possible improvements in section 3.1 of this report.
- The RPM is compliant with the requirements on non-discrimination, volume-risk, and non-distortion to cross-border trade listed under Article 7 of the NC TAR.
- The criteria for setting the commodity charge are met in the case of the flow-based charge.
- The criteria for setting the commodity charge are not met in the case of the complementary revenue recovery charge based on the level of capacities agreed in the connection agreements of domestic exit points.
- The proposed non-transmission services are not appropriately classified based on the scope the NC TAR prescribes.

16 The Agency therefore cannot conclude that: the requirements on cost-reflectivity and on the prevention of undue cross-subsidisation are met.

17 The Agency provides the following recommendations to Energiavirasto, the Finnish NRA, when publishing its motivated decision pursuant to Article 27(4) of the NC TAR, which is the next step in this process:

- First, the Agency recommends Energiavirasto to reconsider the application of the new commodity-based charge, referred to as the connection capacity charge. The Agency acknowledges the validity of the challenges posed by users with low average consumption and high peak demand, who primarily utilise the system during peak periods. These users contribute relatively little to the revenues of the TSO, as they mainly book daily and within-day capacity products, while still requiring the availability of significant technical capacity. The Agency recommends addressing this issue in a way that is fully aligned with the provisions of the network code. During this, it is essential to ensure that the TSO's allowed revenue is primarily recovered through capacity tariffs based on the RPM, and additional charges are only used as a supplementary measure and, when used, are well-justified. For example, in the current situation a compliant way to collect higher tariffs from users with peak consumption would be to apply higher multipliers for within-day and daily capacity products.
- Second, to apply rescaling in line with Article 6(4)(c) of the NC TAR to compensate for the under-recovery of revenue due to the application of renewable entry discounts.
- Third, to recalculate the tariffs based on the CWD methodology by strictly following the formula provided in Article 8(2) of the NC TAR, publish the recalculated tariffs along with the final decision, and to reassess whether the proposed postage stamp methodology or the recalculated CWD methodology fits better the Finnish system.
- Fourth, to provide more detail on the evolution of tariffs for the subsequent years of the application of the RPM and supplement the simplified tariff model with the necessary input data, so that network users could use it for forecasts beyond 2026.

- Fifth, the Agency reiterates its earlier recommendation published in paragraph (9) ACER's 2020 tariff report on Finland[1] on the terminology used in the consultation document. Paragraph (53) of the ACER report points out that the definitions set out in NC TAR for the terms 'allowed revenue' and 'transmission revenue' are incompliant in the consultation document. The incompliance affects the proposed RPM.
- Sixth, to reassess the revenue reconciliation mechanism and ensure that risk taking is balanced in all cases.
- Seventh, to the extent that the conditions of the law limit the national regulatory authority's tariff setting powers, take all necessary steps to initiate the modification of the existing legislative acts.
- Eighth, to reassess the proposed non-transmission services, categorise them appropriately, and, in case they fall outside the scope of the NC TAR, exclude them from the tariffication framework.

[1] ACER report on the analysis of the consultation document on the gas transmission tariff structure for Finland, 2020.

2. Introduction

18 Commission Regulation (EU) 2017/460 of 16 March 2017 establishes a network code on harmonised transmission tariff structures for gas ('NC TAR').

19 Article 27 of the NC TAR requires the Agency to analyse the consultation documents on the reference price methodologies for all entry-exit systems[2]. This report presents the analysis of the Agency for the transmission system of Finland.

20 On 16 April 2025, the TSO Gasgrid Finland Oy ('Gasgrid') launched the consultation and forwarded it to the Agency. The consultation remained open until 16 June 2025. On 16 July 2025, the two consultation responses and their English summary were published. The Agency has taken these into consideration for this analysis. Within five months following the end of the final consultation, and pursuant to Article 27(4) of the NC TAR, Energiavirasto, the Finnish NRA, shall take and publish a motivated decision on all the items set out in Article 26(1).

Reading guide

21 Chapter 3 of this document presents an analysis on the completeness, namely if all the information in Article 26(1) has been published. Chapter 4 assesses the proposed reference price methodology ('RPM') for Finland. Chapter 5 focuses on the compliance, namely if the RPM complies with the requirements set out in Article 7 of the code, if the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met, and if the criteria for setting non-transmission tariffs as set out in Article 4(4) are met. This document contains two annexes, respectively the legal framework and a list of abbreviations.

[2] With the exception of Article 10(2)(b), when different RPMs may be applied by the TSOs within an entry-exit zone.

3. Completeness

3.1. Has all the information referred to in Article 26(1) been published?

22 Article 27(2)(a) of the NC TAR requires the Agency to analyse whether all the information referred to in Article 26(1) of the NC TAR has been published.

23 Article 26(1) of the NC TAR requires that the consultation document should be published in the English language, to the extent possible. In line with this requirement, Gasgrid also published the document in English simultaneously with the Finnish version.

24 Overall, almost all information in Article 26(1) of the NC TAR has been properly published, as detailed in the following table. The Agency recommends the inclusion of the missing information in the final decision.

Table 1: Checklist information Article 26(1)

Article	Information	Published: Y/N/NA
26(1)(a)	the description of the proposed reference price methodology	Yes
26(1)(a)(i) **26(1)(a)(i)(1)** **26(1)(a)(i)(2)**	the indicative information set out in Article 30(1)(a), including: • the justification of the parameters used that are related to the technical characteristics of the system, • the corresponding information on the respective values of such parameters and the assumptions applied	Yes
26(1)(a)(ii)	the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9	Yes
26(1)(a)(iii)	the indicative reference prices subject to consultation	Yes
26(1)(a)(iv)	the results, the components and the details of these components for the cost allocation assessments set out in Article 5	Yes
26(1)(a)(v)	the assessment of the proposed reference price methodology in accordance with Article 7	Yes
26(1)(a)(vi)	where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii)	Yes, however the calculation of tariffs based on the CWD methodology were carried out partially using the technical capacity instead of the forecasted booked capacity, which renders the results unusable
26(1)(b)	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	Yes, however the terminology used to describe the different revenues is not in line with the terminology of NC TAR

26(1)(c)(i) **26(1)(c)(i)(1)** **26(1)(c)(i)(2)** **26(1)(c)(i)(3)**	where commodity-based transmission tariffs referred to in Article 4(3) are proposed • the manner in which they are set • the share of the allowed or target revenue forecasted to be recovered from such tariffs • the indicative commodity-based transmission tariffs	Yes
26(1)(c)(ii) **26(1)(c)(ii(1)** **26(1)(c)(ii)(2)** **26(1)(c)(ii)(3)** **26(1)(c)(ii)(4)**	where non-transmission services provided to network users are proposed: • the non-transmission service tariff methodology therefore • the share of the allowed or target revenue forecasted to be recovered from such tariffs • the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3) • the indicative non-transmission tariffs for non-transmission services provided to network users	Mainly yes (only partially for the underutilisation fee), however the services themselves are not non-transmission services
26(1)(d)	the indicative information set out in Article 30(2);	Partially – the simplified tariff model needs to be supplemented to allow forecasting tariffs beyond 2026
26(1)(e) **26(1)(e)(i)** **26(1)(e)(ii)** **26(1)(e)(iii)** **26(1)(e)(iv)**	where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity: • the proposed index; • the proposed calculation and how the revenue derived from the risk premium is used • at which interconnection point(s) and for which tariff period(s) such approach is proposed • the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed	Not applicable

4. Assessment of the proposed reference price methodology

25 The present chapter assesses the proposed RPM taking into account the input parameters of the methodology and the cost allocation assessment.

4.1. Timeline for the application of tariffs

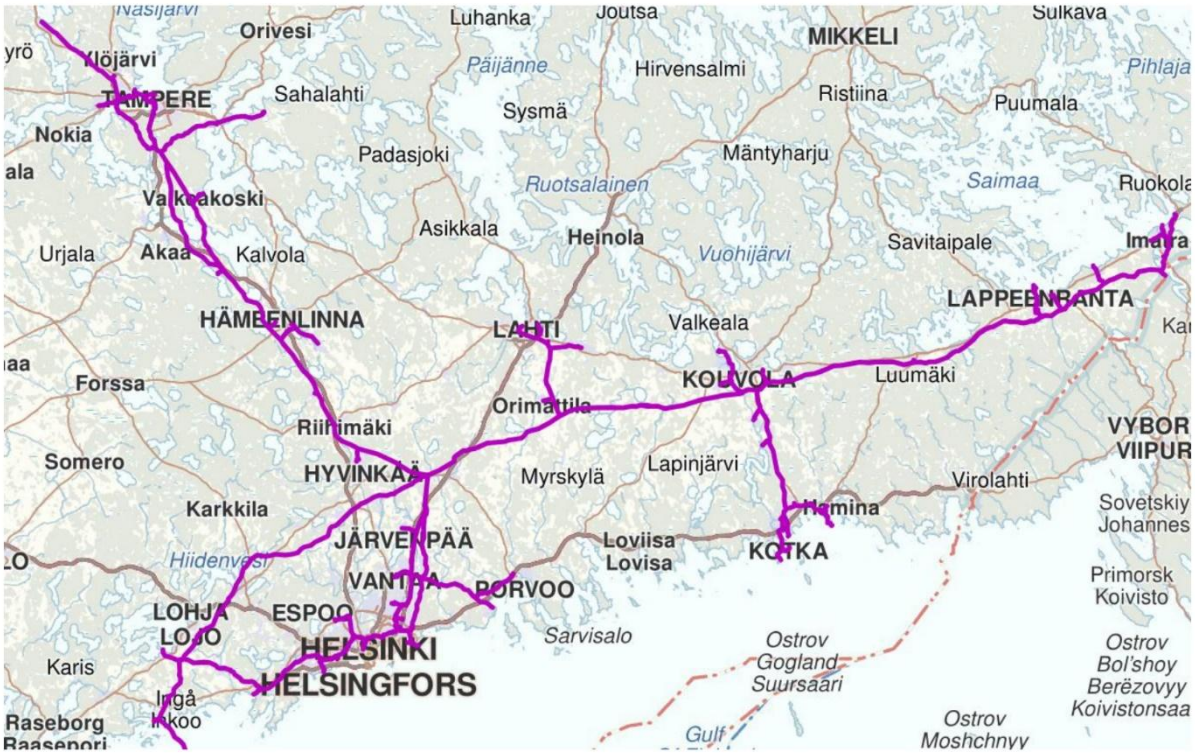
26 The regulatory period does not coincide with the application of the RPM. In addition, the four-year regulatory period[3], with the current one ranging from 2024 to 2027, is underpinned by an eight-year-period for which the allowed revenue methodology is determined, ranging from 2024 to 2031. The consultation document does not explicitly set an end date for the application of the reference price methodology, however it acknowledges the legal requirement rising from Article 27(5) of the NC TAR to carry out the consultation at least every five years. Non-binding indicative tariffs based on forecasted inputs are calculated for 2026, but not beyond.

4.2. Description of the network

27 The Finnish natural gas network is operated by a single state-owned TSO, Gasgrid, which is certified as an ownership unbundled TSO. The TSO operates a pipeline network of approximately 1,256 km, of which 39 km is offshore. The transmission system has 8 entry points: 2 from the Inkoo and Hamina LNG terminals and 4 from biogas production plants connected to the transmission network. The network also includes an entry point from Russia, but the import of Russian gas to Finland ended on 21 May 2022. The transmission network is connected to Estonia through a bidirectional interconnection point through the Balticconnector pipeline. No underground storage operators are connected to the transmission system. The transported gas may exit the system at the Balticconnector interconnection exit point, and through 196 domestic exit points, half of which serves final consumers connected directly to the transmission network and the other half supplies the gas to distribution systems. The Finnish transmission system consists of a single balancing zone.

28 The following figure from the consultation document provides a graphical overview of the system:

[3] According to Article 3(5) of the NC TAR "'regulatory period' means the time period for which the general rules for the allowed or target revenue are set in accordance with Article 41(6)(a) of Directive 2009/73/EC".



4.3. The proposed RPM

29 The current section assesses the proposed Finnish methodology.

30 Finland applies a revenue cap regime. The TSO's allowed revenue for transmission services is recovered through capacity tariffs and two different kinds of commodity-based tariffs.

31 Finland is part of the merged FinEstLat market zone, creating a common tariff zone together with Estonia and Latvia. The merged FinEstLat zone applies common entry tariffs at all entry points, set at the level of 142.77 EUR/MWh/d/y, and zero tariffs at interconnection exit points inside the merged zone. The entry revenues (with the exception of domestic biomethane production entries) are redistributed in proportion of the domestic demand of the participating Member States following the compensation of variable compression costs related to regional gas flows.

32 For the tariffs not directly derived from the FinEstLat agreement, Gasgrid proposes a postage stamp methodology with a uniform tariff to be applied at all domestic exit points.

33 No discount is proposed for the tariffs at the LNG entry points. As the Finnish system has no storage facilities, the only discount applied is the discount at production entry points for renewable and low-carbon gases introduced by Article 18(1) of Regulation (EU) 2024/1789.

34 Gasgrid proposes the application of a yearly tariff period coinciding with the calendar year. The Finnish NRA, Energiavirasto, applies four-year regulatory periods, the current one ranging from 2024-2027 for which the allowed revenue has been already determined. The methodology for the allowed revenue is set for two subsequent regulatory periods. The reconciliation of over- or under-recovery is carried out at the end of the regulatory period, and it also includes the revision of the estimated allowed revenues.

35 In addition to the capacity tariff, Gasgrid also proposes two commodity-based tariffs. The flow-based charge is paid at domestic exit points only (the Balticconnector exit interconnection point is exempted, as it is within the FinEstLat zone, and the flow-based costs related to it are recovered through the ITC), and covers flow-based costs related to domestic gas consumption. The newly introduced connection capacity charge, which Gasgrid categorises as a

complementary revenue recovery charge, is based on the connection capacity at each domestic exit point, and it is charged to shippers operating on the transmission network and distribution system operators.

4.3.1. Cost drivers

36 Gasgrid proposes the use of forecasted contracted capacity as the single cost driver. Gasgrid's reasoning for not utilising distance between entry and exit points as a cost driver is that, due to the long distances between entry and exit points, it would lead to unreasonably high tariffs at certain points and could incentivise some end-users to stop using gas, which in turn would lead to higher tariffs for the remaining users. The values for the forecasted contracted capacities consider multipliers for short-term products (seasonal factors are not proposed in the Finnish system), with different booking patterns for entries (national and ITC) and exits, and assume that only firm capacities are booked.

4.3.2. Entry-exit split

37 As a consequence of the pre-agreed nature of the FinEstLat entry tariffs, Gasgrid applies an ex-post entry-exit split. The entry-exit split is calculated as the function of the revenues recovered through the commonly applied FinEstLat entry tariffs and the postage stamp domestic exit tariffs. The forecasted level of revenues recovered at entry points and at exit points is 9%-91%.

4.3.3. Secondary adjustments

38 Gasgrid does not propose to apply any explicit secondary adjustment. In the practice of implementing the NC TAR, national regulatory authorities usually use rescaling as a secondary adjustment to compensate for the over- or under-recovery of the allowed revenue due to the application of discounts. The only discount Gasgrid proposes to apply is the entry point discount for renewable production introduced by Article 18(1) of Regulation (EU) 2024/1789.

39 As the entry points from biomethane facilities do not fall under the ITC agreement, the lack of rescaling and the resulting under-recovery fully and directly affects the Finnish system.

40 The Agency recommends the application of rescaling in line with Article 6(4)(c) of the NC TAR to the domestic exit tariffs to compensate for the under-recovery of revenues due to the application of the renewable entry discounts. While the impact of the tariff discounts is relatively minor for 2026 based on estimates by Gasgrid, the importance of this compensation is expected to grow, as Gasgrid forecasts that the share of clean gases in the Finnish system will increase by 20-30 times by 2030.

4.4. Cost allocation assessment

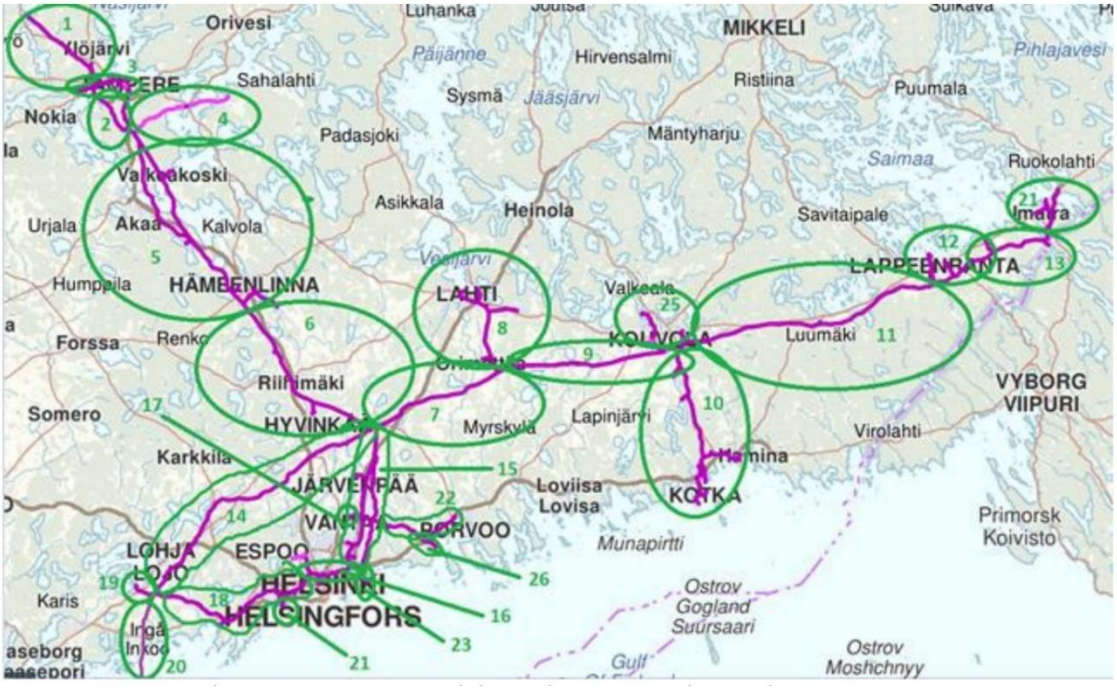
41 Gasgrid did carried out a cost allocation assessment ('CAA'), for the proposed RPM. The CAA index for the proposed RPM according to Gasgrid's calculations is 200% for both the capacity tariff and the commodity charge. Since the CAA value for the proposed RPM is above the 10% threshold, as laid out in Article 5(6) of the NC TAR it needs further justification. Gasgrid provided a justification by referring to the effects of the market merger and the ITC mechanism.

42 The Agency considers that the CAA is not a meaningful instrument to support the analysis due to zero tariffs at IPs within the merged zone and the absence of cross-border flows to any other systems.

4.5. Comparison with the CWD methodology

43 Gasgrid provides a comparison between the proposed postage stamp methodology and the standard CWD methodology as laid out in Article 8 of the NC TAR. The detailed calculations for the analysis of the counterfactual CWD methodology are not included in the consultation document, however they were submitted to ACER, at ACER's requests. Nonetheless, the main principles used for the calculations, including the clustering of exit points used to reduce the number of entry-exit combinations and simplify the model are published in the consultation document, along with the resulting tariffs, a comparison of the proposed methodology and the counterfactual CWD methodology.

44 Gasgrid applied the below presented clustering to reduce the approximately 200 exit points to 25 clusters:



45 During the calculations, the formulas detailed in Article 8(2) of the NC TAR require the use of forecasted contracted capacities at both exit points and entry points. Despite this clear requirement, Gasgrid used the technical capacities of the points and the clusters to determine the capacity weighted average distance and the revenue allocated to each point instead of their forecasted contracted capacity. However, during the final step of the process (the calculation of the tariffs of the points), Gasgrid correctly uses the forecasted contracted capacity. This method of calculating the CWD tariffs is incompliant with the NC TAR, and it results in disproportionately higher tariffs at points with high technical capacities and relatively lower forecasted capacity bookings.

46 Due to the significant methodological deviations from the formula set out in the NC TAR, the differences in the resulting tariffs cannot be used to either support or to question the choice of the postage stamp RPM, as proposed by Gasgrid.

47 The Agency recommends the recalculation of the tariffs based on the CWD methodology, strictly adhering to Article 8(2) of NC TAR, to publish the resulting tariffs along with the final decision, and to assess again, based on the conclusions that can be reached from the tariffs, whether the proposed postage stamp methodology or the CWD methodology is a more fitting choice.

5. Compliance

5.1. Does the RPM comply with the requirements set out in Article 7?

48 Article 27(2)(b)(1) of the NC TAR requires the Agency to analyse whether the proposed reference price methodology complies with the requirements set out in Article 7 of the NC TAR. This article refers to Article 17 of Regulation (EU) 2024/1789 and lists several requirements to take into account when setting the RPM. As these overlap, in the remainder of this chapter, the Agency will take a closer look at the five elements listed in Article 7 of the NC TAR.

49 As the concepts of transparency, cost reflectivity, non-discrimination, cross-subsidisation and cross border trade are closely related, the Agency concludes with an overall assessment.

50 In its 2020 analysis of the Finnish reference price methodology[4], the Agency detailed the issues it identified regarding the ITC mechanism applied during the FinEstLat merger and the tariffs set at entries and exits of the intra market zone IPs. While the regional integration of markets was considered by the Agency a favourable development, as the integration was not fully concluded, it still remains incompliant with the NC TAR. As the rules of the merger had not changed since the last report, the related ACER recommendations also remain standing.

5.1.1. Transparency

51 **Article 7(a)** of the NC TAR requires that the RPM aims at ensuring that network users can reproduce the calculation of reference prices and their accurate forecast. The Agency finds the simplified tariff model, as required by Article 30(2)(b) of the NC TAR, useful. The Agency considers that network users would be able to reproduce the calculation of reference prices. The published tariff model, however, only includes data for the calculation of the 2026 tariffs. Article 30(2)(b) of the NC TAR requires the publication of a tariff model that enables network users to estimate the possible evolution of tariffs beyond the prevailing tariff period. The Agency assesses that, as the published simplified tariff model is only usable for the reproduction of the 2026 tariffs due to lack of input data for the latter years, network users would not be able to forecast the reference prices.

52 The Agency considers the choice of a postage stamp RPM with uniform tariffs at all domestic points a simple solution that makes it easy for all network users to understand the way the allowed revenue is allocated to these points. The Agency also acknowledges that the predetermined entry tariff for all entry points is also discernible by all system users.

53 The Agency therefore concludes that the proposed RPM only partially complies with the criteria for transparency.

54 The Agency recommends providing more detail on the evolution of tariffs in the subsequent years of the application of the RPM and supplementing the simplified tariff model in a way that network users could use it for this forecast.

55 The Agency also reiterates its earlier recommendation on the terminology used in the consultation document. Paragraph (53) of the Agency's 2020 tariff report on Finland details an incompliance with the definitions set out in NC TAR during the consultation document's use of

[4] ACER report on the analysis of the consultation document on the gas transmission tariff structure for Finland, 2020.

the terms allowed revenue[5] and transmission services' revenue[6]. As this incompliance still stands, so does the Agency's recommendation.

5.1.2. Cost-reflectivity

56 **Article 7(b)** of the NC TAR requires the RPM to take into account the actual costs incurred for the provision of transmission services, considering the level of complexity of the transmission network and the technical characteristics of the transmission system. The transmission system network in Finland is a relatively simple one, with limited interconnections and no significant meshed elements. The physical structure of the network would make the use of distance as a cost-driver a seemingly natural choice, as the network has a well-defined dominant entry point (in Finland's case, the LNG terminals) situated in the south of the country, and pipelines delivering the gas to end users branching out to the north and the east. However, the FinEstLat zone merger, the zero IP tariffs, and the application of the ITC has already created such a complex regulatory scenario that it is reasonable to use a simpler, more robust approach (like a postage stamp method) instead of a more complex methodology that is more sensitive to input assumptions (like a CWD). This context is well reflected in the choice of the methodology and the use of capacity as the sole cost driver for the domestic exit tariffs.

57 Both the rules of the FinEstLat merger and the applied ITC have certain elements that reduce the cost-reflectivity of the tariffs.

58 As detailed in paragraph (53) of the Agency's 2023 tariff report on Latvia[7], the redistribution of revenues through the ITC is carried out based on domestic consumption in the three Member States, without accounting for differences in actual infrastructure costs, capacities and distances, etc. This decreases the cost-reflectivity of the RPM.

59 Another such element is the stability of the level of the common entry tariff. The level of the entry tariff has not changed since 2020 and is not proposed to change during the application of the proposed RPM. Even if the entry tariff was set at a cost-reflective level during the introduction of the zone merger, as its level is fixed and it does not follow the changes of the underlying costs, it inevitably leads to the decrease of its cost-reflectivity. Any increase in the allowed revenue (e.g. due to inflation) will only be recovered through the domestic exit tariffs, therefore cross-border users will progressively pay less compared to intra-system users[8]. These effects are reflected in the variation of the ex-post entry-exit split where the split has moved from 13%-87% from the previous consultation to the current ratio of 9%-91%, with a decreased share for the entry revenues.

60 The effects of the application of the interconnection mechanism and the redistribution of entry tariffs to the three participating Member States of the FinEstLat zone would require a complex analysis involving the assessment of the ITC's effects on the costs, cost drivers, and revenues for all the parties of the merger. Lacking such analysis, the cost-reflectivity of the ITC cannot be concluded upon by ACER[9].

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[5] According to Article 3(11) of the NC TAR 'allowed revenue' means the sum of transmission services revenue and non-transmission services revenue for the provision of services by the transmission system operator for a specific time period within a given regulatory period which such transmission system operator is entitled to obtain under a non-price cap regime and which is set in accordance with Article 41(6)(a) of Directive 2009/73/EC.

[6] According to Article 3(6) of the NC TAR 'transmission services revenue' means the part of the allowed or target revenue which is recovered by transmission tariffs.

[7] ACER report on the analysis of the consultation document on the gas transmission tariff structure for Latvia, 2023.

[8] And vice versa, if the allowed revenue decreases (e.g. due to the depreciation of the regulatory asset base), its impact will not be felt by cross-system users either.

[9] The scope of such an investigation exceeds the scope of this current report.

61 The Agency in its analysis interprets cost-reflectivity as double criteria: cost-reflectivity should exist both between costs caused by the different system users and the tariffs paid by them, and the total costs related to the provision of transmission services and the totality of revenues recovered by the transmission tariffs. The latter criterion includes the timely and complete recovery of allowed revenues through a revenue reconciliation mechanism. The consultation document includes a mechanism for the reconciliation of the deficit or surplus caused by the difference between the adjusted allowed revenue and the realised revenues. The methodology includes a requirement for the TSO to pay an interest in cases when the surplus exceeds 5%. While this approach is reasonable, there is an asymmetry in the methodology, with the TSO is not receiving any interest when the TSO suffers a deficit during the regulatory period and has to finance it. During the Agency's discussions with the NRA on the proposed RPM, Energiavirasto stressed that as the reconciliation is carried out only after the end of the regulatory period, the TSO has ample opportunities to decrease the yearly tariff level and avoid an overrecovery that would lead to the payment of interests. Energiavirasto also stressed that the existence of this rule deters the TSO setting tariffs that would lead to a large surplus potentially harming the interests of the network users. The Agency acknowledges that as in the Finnish regulatory framework where the TSO is responsible for setting the tariffs based on the reference price methodology and the allowed revenue approved by the NRA, it is reasonable to create incentives to avoid significant overrecovery (even if it would eventually be reconciled). Nonetheless, this approach creates a risk asymmetry that can lead to under-recovery of costs, therefore potentially decreasing cost-reflectivity.

62 The consultation document also refers to a provision in Article 24 the Finnish Natural Gas Market Act[10] which limits the allowed level of year-on-year changes of transmission tariffs. The law states that gas network operators may increase their tariffs by a maximum of 15 percent compared to the previous 12 months.[11] The transmission system operator can only deviate from this rule with the approval of the NRA. The NRA might give permission to deviate from this limit under relatively broad conditions specified in the law (in cases, if this is necessary to meet the conditions for granting a natural gas network licence or if this is required to ensure the network operator's statutory obligations). The Agency notes however that Article 78(7) of Directive (EU) 2024/1788 clearly designates national regulatory authorities as the entities responsible for fixing or approving at least the methodologies of natural gas transmission tariffs without conditions. Therefore, should any provision of the national law limit the NRA in taking action based on the above-mentioned article, the law would deserve further scrutiny by the Member State to ensure its full compliance.

63 Based on the lack of clarity regarding the effects of the ITC mechanism, the Agency concludes that the cost-reflectivity of the proposed RPM cannot be conclusively assessed.

64 The Agency recommends the reassessment of the revenue reconciliation mechanism in such a way that it ensures a balanced, symmetric risk profile and the proper and complete reconciliation of revenues in all cases, including those where the TSO is suffering an under-recovery. The Agency also recommends to the Member State to assess whether there are any legislative barriers that hinder the national regulatory authority's tariff setting powers, and if so, act on their removal.

5.1.3. Cross-subsidisation and non-discrimination

65 Article 7(c) of the NC TAR requires the RPM to ensure non-discrimination and prevent undue cross-subsidisation. One instrument to evaluate this is the cost allocation assessment ('CAA',

[10] Finnish Natural Gas Market Act.

[11] In the discussions undertaken during the preparation of the report the Finnish NRA clarified that this limitation does not lead to the underrecovery of the TSOs allowed revenue. If the application of the limit would lead to a tariff level not sufficiently high for the recovery of revenues, the period during which the reconciliation of the deficit is carried out is extended based on Section14 of Act 590/2013 on the Supervision of the Electricity and Natural Gas Markets.

Article 5 of the NC TAR). Gasgrid carried out the CAA, the result of which was 200% for the proposed methodology. Since this value is well above the 10% threshold, a detailed justification was required, which Gasgrid provided. As Gasgrid's justification makes it very clear, the obvious cause of the high value is the applied ITC and the zero tariff at the Finnish IP exit due to the zone merger. As detailed in the previous chapter, assessing the effects of the ITC would require a complex analysis for all the three affected Member States in the merger. Having an ITC is essential to avoid cross-subsidisation. Its details however need to be further analysed to determine whether the redistribution itself creates any new cross-subsidies between domestic and cross-system users[12].

66 As Gasgrid proposes a postage stamp methodology, with uniform domestic exit point tariffs, no obvious unjustified cross-subsidies were apparent. The Finnish natural gas demand is, however, heavily concentrated: the ten largest consumption points were responsible for more than 60% of the gas consumption, with the largest single consumer representing a third of the demand. Such concentrations might result in significant differences in the unit costs of the capacities associated with the different consumers. While its simplicity supports the use of a postage stamp methodology, if in the future the conclusion of the FinEstLat market merger progresses forward, and the three EU Member States decide to apply a common RPM, the assessment of the costs and benefits related to the use of other possible methodologies reflecting the cost differences connected to different users better, might be prudent to be considered and undertaken.

67 Based on the above, the Agency cannot conclude on the prevention of undue cross-subsidisation.

68 Regarding the requirement of ensuring non-discrimination[13], the Agency has not identified any form of discrimination related to the proposed capacity tariffs of the RPM. This conclusion however does not extend to the commodity-based tariffs of the RPM.

69 The Agency concludes that RPM ensures non-discrimination because all transmission costs are recovered through capacity tariffs to uniform entry tariffs, and uniform domestic exit tariffs, and because the IP exit tariffs are uniformly set to zero.

5.1.4. Volume risk

70 **Article 7(d)** of the NC TAR requires that the RPM ensures that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system.

71 Based on the data from the recent years, the share of demand within Finland is roughly equal to the level of the sum of the demand within the two other FinEstLat participants, a part of which is supplied through imports from Lithuania. This clearly shows that in the case of Finland the share of the transport of gas across the network is lower than the share of gas transported to domestic final customers.

72 The Agency concludes that, based on the magnitude of cross-border flows, volume risks are unlikely to have a significant effect on final consumers and thus the RPM is compliant with the requirement on volume risk.

[12] It is to be noted however, that if the market merger would have been properly concluded, with a common RPM applied in all three participating Member States and all three areas forming a common balancing zone, in line with the principles envisioned by Article 10 of the NC TAR, the current differentiation between cross-system and intra-system system use would become meaningless, as all current activity would be categorised as within-system.

[13] For this analysis, the Agency defines 'discrimination' as 'charging different prices to different network users for identical gas transmission service'.

5.1.5. Cross-border trade

73 **Article 7(e)** of the NC TAR requires that the RPM ensures that the resulting reference prices do not distort cross-border trade.

74 The RPM proposed by Gasgrid is in line with the FinEstLat market merger and the FinEstLat market integration favours cross-border trade within the region. The zero tariffs at the interconnectors ensure that gas can flow freely in the merged zone, and the uniform entry tariffs mean that reference prices do not incentivise network users to prefer one entry point over another one in the region. Moreover, even with the recent development of the Polish-Lithuanian interconnection[14], the Baltic region is relatively separated from the rest of the EU gas network, therefore any changes in its gas flows might only have very limited effects on the interconnected gas market and its trade.

75 Therefore, the Agency concludes that the proposed RPM is compliant with the requirement on cross-border trade.

5.2. Are the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) met?

76 Article 27(2)(b)(2) of the NC TAR requires the Agency to analyse whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met.

77 The use of commodity-based transmission tariffs is an exception. Only part of the transmission services revenue may be recovered by commodity-based transmission tariffs. Gasgrid proposes to apply commodity-based transmission tariffs. The commodity-based transmission tariffs form a share of approximately 25% of the transmission services revenue. The Agency considers this an excessive use of the commodity charge, exceeding the level that might be considered an exception.

78 The NC TAR allows for two types of commodity-based transmission tariffs: a flow-based charge and a complementary revenue charge. Finland proposes to apply them both: a flow-based charge applied at domestic exit points and a complementary revenue charge also applied at domestic exit points. These charges are assessed along two respective sets of criteria presented in two tables below.

79 First, the proposed flow-based charge does not fully meet the criteria set in Article 4(3), as no tariff is applied at the Balticconnector IP exit, however this deviation from the criteria is a consequence of the FinEstLat market merger. The FinEstLat ITC agreement states that compressor costs caused by flows through the Balticconnector are compensated through the agreement. The Agency concludes that besides this issue related to the market merger, the proposed flow-based charge is compliant.

Criteria	Yes/No
levied for the purpose of covering the costs mainly driven by the quantity of the gas flow	Yes
calculated on the basis of forecasted or historical flows, or both.	Yes
set in such a way that it is the same at all entry points and the same at all exit points.	Yes, with the exception of the Balticconnector IP
expressed in monetary terms or in kind	Yes

[14] GIPL, the Polish-Lithuanian gas interconnector pipeline was commissioned on 5 May 2022, connecting the Baltic States and Finland to the Polish network.

80 The second commodity-based transmission tariff is the newly proposed connection capacity charge. In its proposal Gasgrid categorises this charge as a complementary revenue recovery charge. The proposed complementary revenue recovery charge does not meet the criteria set in Article 4(3) for complementary revenue recovery charges.

Criteria	Yes/No
levied for the purpose of managing revenue under- and over-recovery	No
calculated on the basis of forecasted or historical capacity allocations and flows, or both	No
applied at points other than interconnection points	Yes
applied after the national regulatory authority has made an assessment of its cost-reflectivity and its impact on cross-subsidisation between interconnection points and points other than interconnection points	Not applicable, as the sole interconnection point has zero tariff

81 The connection capacity charge would be based on the connection capacity specified in the connection agreement between Gasgrid and the connecting party, either an end-user directly connected to the transmission network or a distribution system operator. This charge would be responsible for recovering approximately 20% of the total revenue of transmission services, meaning that in total approximately 25% of the transmission revenue would be recovered through commodity based charges. The charge would be invoiced to shippers supplying the directly connected end-users, and to the distribution system operators, who would pass these costs through to the end-users connected to the distribution networks.

82 After analysing the proposal for this new tariff items, the Agency found it incompliant due to:

- Article 4(3)(b)(i) of the NC TAR sets the criteria that the complementary revenue recovery charge shall be levied for the purpose of managing revenue under- and over-recovery. This is complemented with Article 20(1) of the NC TAR which states that the reconciliation of the regulatory account (that is, the settlement of the under- or over-recovery recorded to it) might be carried out by using this charge. In the case of the proposed charge there is no case of under- or over-recovery: a pre-determined, fixed part of the allowed transmission revenue is allocated to this tariff element, in a way that is no different from allocating a part of the allowed revenue to capacity tariffs or flow-based tariffs. This does not meet the criteria.
- Article 4(3)(b)(ii) of the NC TAR sets the criteria that the complementary revenue recovery charge shall be calculated based on capacity allocations or flows. In the context of the NC CAM (as in the context of Commission Regulation (EU) 2017/459) capacity allocation refers to the allocation of capacity usage rights to users, that is, capacities booked through auctions or allocated through other mechanisms. The proposed charge uses as its basis the connection capacities agreed in a connection agreement, instead of capacity allocations. This does not meet the criteria.
- Article 3(7) of the NC TAR defines transmission tariffs as charges payable by network users for transmission services provided to them. Neither distribution system operators, nor the end-users connected to their networks are considered network users of the transmission system. Therefore, any charge payable by them does not fulfil the criteria for transmission tariffs.

83 During the consultation procedure more than half-dozen stakeholders submitted responses related to the connection capacity charge and shared their concerns regarding its level, its calculation and effects. Gasgrid published a response to the received remarks. In its response

Gasgrid reassessed the level of the targeted revenue to be collected through the newly proposed charge and stated that it would be lowered from the proposed 20% and that its level would be determined based on the overall market situation and not on a revenue target. While the Agency welcomes the decrease of the level of the revenues to be recovered through this charge, the decrease and the way Gasgrid intends to calculate the unit price of this charge remains unclear and potentially incompliant.

84 In its response Gasgrid also reassessed the basis for setting the charge: instead of using the capacity specified in the connection agreement by the end-users or the distribution, Gasgrid would request shippers to provide an estimate of their peak capacity needs before the beginning of the year, and this '*capacity subscription'* would serve as the basis of the payable amount. The overrun fees paid in cases of exceeding the contracted capacity would also be lowered compared to their originally proposed 300% level. Gasgrid states that it will assess the need and possibility of mid-year capacity subscription reviews. The proposed charge is renamed as a *Capacity Subscription Charge*.

85 While these changes mitigate some of the issues with the original proposal, they seriously hinder the flexibility of gas traders to conclude new supply contracts within the gas year. It is also unclear, how the proposed capacity subscription charge, which is calculated based on the ordered capacity would fulfil the very basic criteria of being a commodity-based charge that is charged based on the actual volumes flowed and not on the basis of capacities.

86 The Agency acknowledges that the changing gas demand patterns, related mainly to the transformed role of gas-fuelled peaking power plants, create new challenges for both NRAs and TSOs. The Agency also acknowledges the optimisation issues of peak users. These users have their bookings concentrated on peak days, therefore they only contribute limited amounts to the upkeep of the transmission network mainly through daily and within-day tariffs. However, for the peak days, they require large available technical capacities. While these users paid the required connection charges, connection charges usually only cover the costs directly attributable to the new connection and not all necessary reinforcements deep in the network. Altogether this might result in a situation where peak users contribute less for the transmission service than they would under a completely cost-reflective methodology. Still, based on the above arguments, the Agency concludes that neither the proposed connection capacity charge, nor the updated capacity subscription charge is compliant with the criteria set forth in Article 4(3).

87 The Agency recommends to reconsider the introduction of this charge and to apply an alternative regulatory measure that is in line with the NC TAR. For example, a measure with significantly higher daily and within-day multipliers at domestic exit points could be an appropriate response to handle this issue. As Article 2(1) of the NC TAR states that the level of multipliers at points other than IPs is not under the scope of the NC TAR, the NRA has a larger flexibility to set multipliers targeting domestic users. The Agency also recommends to ensure that the allowed revenue of the TSO is predominantly paid off through capacity tariffs based on the RPM and other charges are not excessive and only used in a well-justified manner.

5.3. Are the criteria for setting non-transmission tariffs as set out in Article 4(4) met?

88 Article 27(2)(b)(3) of the NC TAR requires the Agency to analyse whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.

89 In the consultation document it is proposed to make use of non-transmission tariffs. The costs of the following services are recovered via non-transmission tariffs: Centralised data exchange charge (or Datahub charge), and Balticconnector underutilisation fee. Both non-transmission services were already present in the previous 2020 consultation.

90 According to Article 3(15) of the NC TAR, non-transmission services mean the regulated services other than transmission services and other than services regulated by Regulation (EU) No 312/2014 that are provided by the transmission system operator. Article 3(13) specifies that non-transmission tariffs are charges payable by network users.

91 Gasgrid describes centralized data exchange as a datahub operated by Gasgrid, used by retailers and distribution system operators ('DSOs') for carrying out their retail market processes. Gasgrid has a legal monopoly in the provision of this service based on Section 33 of the Finnish Natural Gas Market Act[15]. The centralized data exchange charge is charged solely to DSOs based on the number of metering sites in distribution systems owned or operated by the DSO.

92 As the DSO is not considered a network user, this charge should not be considered a non-transmission tariff, based on the definition provided by Article 3(13) of the NC TAR which defines non-transmission tariffs as "charges payable by network users".

93 Gasgrid describes the Balticconnector as a fee applicable to Balticconnector entry and exit points on congested day. This fee is charged to shippers renominating over a tolerance limit set by the TSO, the level of which is determined based on the operating limits of the Finnish natural gas system.

94 Re-nomination is falling under the scope of Commission Regulation (EU) 312/2014 ('NC BAL'). Based on the NC BAL renomination is not charged, as well as all charges for balancing-activities are regulated by the NC BAL, and consequently excluded from the scope of non-transmission services. Therefore, this service cannot be considered as a non-transmission service.

95 Based on the information provided by Gasgrid, the determination of the centralised data exchange charge is carried out by a separate regulatory methodology, and the revenues from the underutilisation fee are returned to the market through the balancing neutrality charge.

96 The Agency therefore concludes that neither of the services proposed as non-transmission services fits the criteria for non-transmission services set forth in the NC TAR. (The Agency also stresses that these services don't fit the legal criteria of transmission services either.) The Agency recommends the reassessment of these services in the motivated decision, how their costs are handled along with the revenues and tariffs related to these services and avoid any interference with costs, allowed revenues, and tariffs determined in line with the provisions of the NC TAR.

[15] https://www.finlex.fi/fi/lainsaadanto/saadoskokoelma/2017/587

6. Annex 1: Legal framework

Article 27 of the NC TAR reads:

1. Upon launching the final consultation pursuant to Article 26 prior to the decision referred to in Article 27(4), the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority, shall forward the consultation documents to the Agency.
2. The Agency shall analyse the following aspects of the consultation document:

   (a) whether all the information referred to in Article 26(1) has been published;

   (b) whether the elements consulted on in accordance with Article 26 comply with the following requirements:

   (1) whether the proposed reference price methodology complies with the requirements set out in Article 7;

   (2) whether the criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are met;

   (3) whether the criteria for setting non-transmission tariffs as set out in Article 4(4) are met.
3. Within two months following the end of the consultation referred to in paragraph 1, the Agency shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document, and the Commission the conclusion of its analysis in accordance with paragraph 2 in English.

   The Agency shall preserve the confidentiality of any commercially sensitive information.
4. Within five months following the end of the final consultation, the national regulatory authority, acting in accordance with Article 41(6)(a) of Directive 2009/73/EC, shall take and publish a motivated decision on all items set out in Article 26(1). Upon publication, the national regulatory authority shall send to the Agency and the Commission its decision.
5. The procedure consisting of the final consultation on the reference price methodology in accordance with Article 26, the decision by the national regulatory authority in accordance with paragraph 4, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII may be initiated as from the entry into force of this Regulation and shall be concluded no later than 31 May 2019. The requirements set out in Chapters II, III and IV shall be taken into account in this procedure. The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2019.

Article 26(1) of the NC TAR reads:

1. One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:

   (a) the description of the proposed reference price methodology as well as the following items:

   (i) the indicative information set out in Article 30(1)(a), including:

   (1) the justification of the parameters used that are related to the technical characteristics of the system;

   (2) the corresponding information on the respective values of such parameters and the assumptions applied.

(ii) the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9;

(iii) the indicative reference prices subject to consultation;

(iv) the results, the components and the details of these components for the cost allocation assessments set out in Article 5;

(v) the assessment of the proposed reference price methodology in accordance with Article 7;

(vi) where the proposed reference price methodology is other than the capacity weighted distance reference price methodology detailed in Article 8, its comparison against the latter accompanied by the information set out in point (iii);

(b) the indicative information set out in Article 30(1)(b)(i), (iv), (v);

(c) the following information on transmission and non-transmission tariffs:

(i) where commodity-based transmission tariffs referred to in Article 4(3) are proposed:

(1) the manner in which they are set;

(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;

(3) the indicative commodity-based transmission tariffs;

(ii) where non-transmission services provided to network users are proposed:

(1) the non-transmission service tariff methodology therefor;

(2) the share of the allowed or target revenue forecasted to be recovered from such tariffs;

(3) the manner in which the associated non-transmission services revenue is reconciled as referred to in Article 17(3);

(4) the indicative non-transmission tariffs for non-transmission services provided to network users;

(d) the indicative information set out in Article 30(2);

(e) where the fixed payable price approach referred to in Article 24(b) is considered to be offered under a price cap regime for existing capacity:

(i) the proposed index;

(ii) the proposed calculation and how the revenue derived from the risk premium is used;

(iii) at which interconnection point(s) and for which tariff period(s) such approach is proposed;

(iv) the process of offering capacity at an interconnection point where both fixed and floating payable price approaches referred to in Article 24 are proposed.

Article 7 of the NC TAR reads:

The reference price methodology shall comply with Article 13 of Regulation (EC) No 715/2009 and with the following requirements. It shall aim at:

(a) enabling network users to reproduce the calculation of reference prices and their accurate forecast;

(b) taking into account the actual costs incurred for the provision of transmission services considering the level of complexity of the transmission network;

(c) ensuring non-discrimination and prevent undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5;

(d) ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;

(e) ensuring that the resulting reference prices do not distort cross-border trade.

Article 17 of Regulation (EU) 2024/1789 reads:

1. Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 78(7) of Directive (EU) 2024/1788, as well as tariffs published pursuant to Article 31(1) of that Directive, shall be transparent, take into account the need for system integrity and its improvement and reflect the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including an appropriate return on investments. Tariffs, or the methodologies used to calculate them, shall be applied in a non-discriminatory manner.

   Tariffs may also be determined through market-based arrangements, such as auctions, provided that such arrangements and the revenue arising therefrom are approved by the regulatory authority.

   Tariffs, or the methodologies used to calculate them, shall facilitate efficient natural gas trade and competition, while at the same time avoiding cross-subsidies between network users and providing incentives for investment and maintaining or creating interoperability for transmission networks.

   Tariffs for network users shall be non-discriminatory and shall be set separately for every entry point into or exit point out of the transmission system. Cost-allocation mechanisms and rate setting methodology regarding entry points and exit points shall be approved by the regulatory authorities. Regulatory authorities shall ensure that network tariffs shall not be calculated on the basis of contract paths.

2. Tariffs for network access shall neither restrict market liquidity nor distort trade across borders of different transmission systems. Where, notwithstanding Article 78(7) of Directive (EU) 2024/1788, differences in tariff structures would hamper trade across transmission systems, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles.

3. Until 31 December 2025, the regulatory authority may apply a discount of up to 100 % to capacity-based transmission and distribution tariffs at entry points from, and exit points to, underground natural gas storage facilities and at entry points from LNG facilities, unless and to the extent that such a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.

   From 1 January 2026, the regulatory authority may apply a discount of up to 100 % to capacity-based transmission and distribution tariffs at entry points from, and exit points to, underground natural gas storage facilities and at entry points from LNG facilities for the purpose of increasing security of supply. The regulatory authority shall re-examine that tariff discount and its contribution to the security of supply during every regulatory period, in the framework of the periodic consultation carried out pursuant to the network code adopted pursuant to Article 71(2), first subparagraph, point (d).

4. Regulatory authorities may merge adjacent entry-exit systems with a view to enabling full or partial regional integration where tariffs may be abolished at the interconnection points between the entry-exit systems concerned. Following the public consultations conducted by the regulatory authorities or by the transmission system operators, the regulatory authorities may approve a common tariff and an effective compensation mechanism between transmission system operators for the redistribution of costs arising from the abolition of interconnection points.

5. Member States with more than one interconnected entry-exit system, or more than one network operator within one entry-exit system, may implement a uniform network tariff with the aim of creating a level playing field for network users, provided that a network plan has been approved and a compensation mechanism between the network operators is implemented.

Article 4(3) of the NC TAR reads:

3. The transmission services revenue shall be recovered by capacity-based transmission tariffs.

As an exception, subject to the approval of the national regulatory authority, a part of the transmission services revenue may be recovered only by the following commodity-based transmission tariffs which are set separately from each other:

(a) a flow-based charge, which shall comply with all of the following criteria:

(i) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;

(ii) calculated on the basis of forecasted or historical flows, or both, and set in such a way that it is the same at all entry points and the same at all exit points;

(iii) expressed in monetary terms or in kind.

(b) a complementary revenue recovery charge, which shall comply with all of the following criteria:

(i) levied for the purpose of managing revenue under- and over-recovery;

(ii) calculated on the basis of forecasted or historical capacity allocations and flows, or both;

(iii) applied at points other than interconnection points;

(iv) applied after the national regulatory authority has made an assessment of its cost-reflectivity and its impact on cross-subsidisation between interconnection points and points other than interconnection points.

Article 4(4) of the NC TAR reads:

4. The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given non transmission service. Such tariffs shall be as follows:

(a) cost-reflective, non-discriminatory, objective and transparent;

(b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both.

Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.

7. Annex 2: List of abbreviations

Acronym	Definition
ACER	European Union Agency for the Cooperation of Energy Regulators
ENTSOG	European Network of Transmission System Operators for Gas
NRA	National Regulatory Authority
TSO	Transmission System Operator
EC	European Commission
EU	European Union
MS	Member State
NC TAR	Network code on harmonised transmission tariff structures for gas
IP	Interconnection Point
VIP	Virtual Interconnection Point
RPM	Reference Price Methodology
CWD	Capacity Weighted Distance
CAA	Cost Allocation Assessment
RAB	Regulated Asset Base
OPEX	Operational Expenditures
CAPEX	Capital Expenditures
Gasgrid	Gasgrid Finland Oy