



Analysis of the Consultation Document on the Gas Transmission Tariff Structure for Moldova

June 2023



Content

1. ECRB CONCLUSION.....	3
2. INTRODUCTION	4
3. COMPLETENESS	5
4. DESCRIPTION OF THE PROPOSED RPM.....	9
5. COMPLIANCE.....	10
ANNEX I – LEGAL BACKGROUND	15
ANNEX II – LIST OF ABBREVIATIONS	19

1. ECRB CONCLUSION

The National Agency for Energy Regulation of the Republic of Moldova ('ANRE') proposes to apply a capacity weighted distance ('CWD') reference price methodology ('RPM'), jointly by both transmission system operators ('TSOs') within the single entry-exit system of Moldova. The proposed entry-exit split is 50%-50%. An adjustment to the RPM is made by using the equalization whereby the same reference price is applied to all points within a homogeneous group of points. The groups of points are: entry from neighboring transmission networks, exit to neighboring transmission networks and exit to domestic users. No commodity tariffs are proposed.

After having completed the analysis of the consultation document pursuant to Article 27(2) of Commission Regulation (EU) No 2017/460 establishing a network code on harmonized transmission tariff structures for gas ('Tariff Network Code')¹, the ECRB concludes as follows:

- The consultation document includes the majority of information required by Article 26(1) of the Tariff Network Code, with two notable exceptions, namely a justified forecast of capacity and a comparison of tariffs for the prevailing tariff period and the tariff period for which the information is published.
- The simplified tariff model enables users to reproduce the calculation of the reference prices. However, the RPM and the model do not allow for an accurate forecast of transmission tariffs due to the lack of information on the allowed revenues in the next years.
- The proposed RPM is appropriate for the Moldovan transmission network based on its characteristics and the requirement to apply harmonized tariffs in the single entry-exit system of the country. At the same time, the information on capacity used for calculation tariffs does not ensure compliance with the principle of cost-reflectivity.
- The result of the cost allocation assessment performed by ANRE is within the threshold of 10%. A more accurate forecast of the contracted capacity may lead to different result. Therefore ECRB invites ANRE to repeat the calculation once an accurate capacity forecast is available.
- A significant volume risk related particularly to transports across the entry-exit system is not assigned to within-system users. However, ECRB advises ANRE to assess whether the final customers in Moldova face increased tariffs due to underutilization of the cross-system pipelines.
- The resulting transmission tariffs are much higher than elsewhere in the neighborhood and on alternative cross-border transport routes. ANRE expects that transmission tariffs will be decreasing in the coming years, however does not provide a relevant assessments. With a view to increasing predictability and transparency for network

¹ https://www.energy-community.org/dam/jcr:fd41a351-b04c-41a7-b7a5-89da4171aa17/Regulation_2017_460_TAR_NC.pdf

users, ECRB recommends ANRE to provide forecasts of revenues and capacities for the following years, at least five.

2. INTRODUCTION

The Tariff Network Code was included in the Energy Community legislation by the Decision 2018/07/PHLG-EnC of the Permanent High Level Group of the Energy Community of 28 November 2018². Article 27 of the Tariff Network Code requires the Energy Community Regulatory Board ('ECRB') to analyze the following aspects of the consultation documents:

- 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 ('RPM') 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.

ANRE launched the public consultation on 8th February 2023. On 22nd May, ANRE published the adjusted reference price methodology with accompanying consultation documents on its web site, with a view to inform stakeholders of the final version of the methodology to be adopted. On 24th May 2023, ANRE forwarded the consultation documents to the ECRB, including the summary of responses received since 8th February. It remains unclear which of these two consultations may be considered as the final consultation in line with Article 27 of the Tariff Network Code.

This report is structured to respond to the requirements of Article 27 of the Tariff Network Code covers the analysis of completeness of the information published for consultation in Chapter 2 as well as the analysis of compliance of the reference price methodology with Article 7 of the Tariff Network Code. ANRE does not propose application of commodity-based tariffs nor tariffs for non-transmission services, therefore the compliance chapter does not refer to them.

² https://www.energy-community.org/dam/jcr:d40b64ae-08d9-4eb1-b361-660bafdd5342/Decision_2018_07_PHLG-EnC_GasReg_112018.pdf

3. COMPLETENESS

Article 27(2)(a) of the Tariff Network Code requires the ECRB to analyze whether all the information referred to in Article 26(1) has been published.

Article 26(1) requires that the consultation document is published in English language to the extent possible. ANRE did not publish the consultation document in English language. For the purpose of obtaining the required analysis, ANRE provided translation of certain documents to the ECRB, namely:

- Consultation document in the template of the Agency for Cooperation of European Regulators,
- Draft methodology for the calculation, approval and application of regulated tariffs for the natural gas transmission service and
- Summary of the consultation responses.

The majority of the information referred to in Article 26(1) of the Tariff Network Code was published, with the following exceptions:

1. Article 26 (1)(a)(i): information on parameters used in the applied RPM that are related to the technical characteristics of the transmission system are provided. The exception is the justification of the forecasted capacity used, as only the amount of booked capacity in February 2023 is provided (Ref. Art.30 (1)(a)(ii)).
2. Article 26(1)(d): the indicative information set out in Article 30(2) is explained, however the comparison of tariffs for the prevailing tariff period and the tariff period for which the information is published is not presented in a numerical way. For the purpose of this analysis ANRE provided the information on the tariffs in the prevailing period.

The abovementioned missing elements of the consultation document should be included in the motivated decision in terms of Article 27(4) of the Tariff Network Code, with a view to improving transparency of the process of transmission tariff determination.

Table 1 provides an overview on how the consultation document complies with the publication requirements.

Table 1 Checklist information Article 26(1)

Article	Information	Published: yes/no/not applicable
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: (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.	partially
26(1)(a)(ii)	the value of the proposed adjustments for capacity-based transmission tariffs pursuant to Article 9	not applicable
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)	not applicable

26(1)(b)	the indicative information set out in Article 30(1)(b)(i), (iv), (v)	yes
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: (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;	not applicable
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: (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;	not applicable
26(1)(d)	the indicative information set out in Article 30(2);	partially
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: (i) the proposed index; (ii) the proposed calculation and how the revenue derived from the risk premium is used;	not applicable

	<p>(iii) at which interconnection point(s) and for which tariff period(s) such approach is proposed;</p> <p>(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.</p>	
--	--	--

4. DESCRIPTION OF THE PROPOSED RPM

The natural gas transmission system of the Republic of Moldova is operated by two transmission system operators ('TSOs') - *Moldovatransgaz* and *Vestmoldtransgaz*. Both TSOs jointly operate about 1682,52 km of transmission network (1559.78 km by *Moldovatransgaz* and 122,736km by *Vestmoldtransgaz*).

In 2019, ANRE transposed the Tariff Network Code into the *Natural gas Network code*, approved by ANRE decision no. 420/2019. In the same year, ANRE approved the new transmission tariff methodology, incorporating some important elements of the Tariff Network Code, but without implementing an inter-TSO compensation mechanism, providing cross-border cost allocation assessment or fully applying its publication and consultation requirements.

The currently applicable RPM is part of the *Methodology for approving and applying the tariffs for the natural gas transmission service*, adopted by ANRE Decision no. 535/2019 ('methodology'), in force since 14.03.2020. Based on this methodology, ANRE performed the CWD RPM and approved entry-exit transmission tariffs for both TSOs.

The amendments of the Natural Gas Law no. 108/2016, adopted in July 2022, stipulate that, *"for reasons of major public interest, such as ensuring an effective compensation mechanism between TSOs, avoidance of negative effects on the revenues from the provision of the natural gas transmission service by the TSOs involved, to ensure the recovery of the regulated revenues of to each TSO, in order to encourage the use of assets that contribute to the security of natural gas supply, ANRE implements the principles and method of determining the harmonized transmission tariffs, established in art. 99 of Natural Gas Law no. 108/2016 as well as the reconciliation of revenues within the inter TSO compensation mechanism. In this sense, the Agency approves and implements all the methodologies and normative regulatory acts in order to ensure the recovery of related investment costs of the Iasi-Ungheni-Chisinau natural gas transmission pipeline."* Based on this, ANRE developed the draft amendments to the existing tariff methodology keeping the same approach (capacity weighted distance RPM, coefficients and seasonal factors), but enabling an inter-TSO mechanism and performing public consultations in line with Article 26-27 of the TAR NC.

According to Article 10 of the Tariff Network Code, ANRE proposes that the same RPM is applied jointly by all TSOs within the single entry-exit system of Moldova. As mentioned above, the tariffs are calculated by using the CWD RPM, whereby the entry-exit split is predefined to 50%-50%. Adjustments to the application of the RPM to all entry and exit points are made by means of equalization whereby the same reference price is applied to all points within a homogeneous group of points.

For the purpose of equalization, the points of the TSOs' transmission networks are grouped as follows:

1.	<i>The group of entry points into the natural gas transmission network from the interconnection with the natural gas transmission networks of the neighboring states;</i>
2.	<i>The group of exit points from the natural gas transmission network to the natural gas distribution networks and/or natural gas facilities of the final customers connected to the gas transmission network;</i>
3.	<i>The group of exit points from the natural gas transmission network to the natural gas transmission networks of interconnected neighboring states.</i>

5. COMPLIANCE

4.1. Compliance of the RPM with Article 7 of the Tariff Network Code

Article 27(2)(b)(1) of the Tariff Network Code tasks ECRB to analyze whether the reference price methodology proposed by ANRE complies with the requirements set out in Article 7 of the same code. This article refers to Article 13 of Regulation (EC) 715/2009³ and includes the requirements that should be considered when preparing the RPM. The following analysis focuses on the five elements of Article 7 of the Tariff Network Code, as they mirror the requirements of the Regulation (EC) 715/2009.

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

The simplified tariff model allows calculation of the reference prices in relation to total joint revenue of the TSOs and the volume booked. However forecasts of the allowed revenue or its elements for the following years are not provided. The methodology proposed by ANRE states that the tariffs are determined based on the approved cost bases for five years, to be revised annually, to take into account the annual reconciliation of the allowed revenue. However, the information on how the reconciliation i.e. correction element is calculated is not provided. In the consultation document, ANRE explains that annual revision of tariffs is based on the *indicators for updating the forecast of regulated revenues, the most essential being the evolution of the gas infrastructure, macroeconomic indicators that influence the level of regulated costs and the evolution of the capacities that will be contracted by the users of the transport system. Given*

³ REGULATION (EC) 715/2009 as amended by Regulation of the European Parliament and of the Council (EU) 2022/1032 with regard to gas storage, incorporated and adapted by Permanent High Level Group Decision 2018/01/PHLG-EnC of 12 January 2018 and by Ministerial Council Decision 2011/02/MC-EnC of 6 October 2011 on the implementation of Directive 2009/72/EC, Directive 2009/73/EC, Regulation (EC) 714/2009 and Regulation (EC) 715/2009 and amending Articles 11 and 59 of the Energy Community Treaty and by the Ministerial Council Decision No 2022/01/MC-EnC adapting and implementing the Regulation (EU) 2022/1032 with regards to gas storage. (<https://www.energy-community.org/dam/jcr:d0f7d046-57cb-479a-a39a-9bce06065155/Reg-715-2009.pdf>)

the lack of major fluctuations in the contracted capacities during the regulatory period, it can be stated with high probability that the values of the transmission tariffs will change in correlation with the macroeconomic indicators forecasted and recorded in the subsequent tariff periods.

Based on the above, ECRB concludes that **the simplified tariff model enables users to reproduce the calculation of the reference prices. However, the RPM and the model do not allow accurate forecast of transmission tariffs due to the lack of information on the allowed revenues in the next years.** ECRB recommends ANRE to update the tariff model to allow calculation of tariffs beyond 2023 based on all relevant inputs.

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

The RPM proposed by ANRE is based on the CWD methodology envisaged by Article 8 of the Tariff Network Code. This points out that the cost drivers for tariff calculation are capacity and distance, whereby the capacity used is explained as *the estimated capacity to be reserved (contracted), in a calendar year, determined as a weighted average of the forecast contracted capacity.* As pointed out in Chapter 2 above, the information on forecasted capacity is provided only for February 2023. Therefore the ECRB asked ANRE to provide data on the calculation of transmission tariffs in the previous period 2022. The submitted information showed that, for the current tariff consultation, ANRE applied volumes of gas much lower than in the previous year. More precisely, while in 2022 the tariffs for *Moldovatransgaz* were calculated by taking into account close to 2.8 billion m³, the tariff calculation of 2023 applies only 1.77 billion m³ (the volume forecasted for both *Moldovatransgaz* and *Vestmoldtransgaz*). While it is clear that the energy crisis of 2022 contributed to demand reduction in Moldova, there is no information on actual capacity/volume used in 2022 (tariff calculation of 2022 used forecasts) and ANRE should provide a justification of the volumes used.

In its tariff consultation document, ANRE argues that the RPM provides a high degree of cost reflectivity because it relies on cost factors such as capacity and distance. Theoretically, ECRB concurs with this, as it is the clear requirement of the Tariff Network Code to use the capacity weighted distance methodology as a default methodology, but the resulting tariffs should be calculated based on justifiable capacities and costs in order to be cost reflective.

When calculating the allowed revenues for both TSOs, ANRE relies on the same methodology and uses the same rate of return of 8.11% on the regulatory asset bases of the TSOs. The levels of revenues to be recovered via tariffs in 2023 are similar to those approved for 2022 and the major difference in tariffs between these two years stems from the implementation of harmonized tariffs required by the Tariff Network Code. Having in mind that the previously very high tariffs of *Vestmoldtransgaz* were caused by the substantial investment in the Iasi-Ungheni-Chisinau pipeline (around 65 million euro), this cost is now socialized to all network users of the entry-exit system of Moldova. The justification of this capital expenditure is provided through the explicit requirement of the Moldovan Natural Gas Law that the tariff methodology must ensure recovery of the investment in the Iasi-Ungheni-Chisinau pipeline (see Chapter 2 above for the quotation of the relevant article).

The transmission tariffs calculated based on the CWD methodology are adjusted by means of equalization, as allowed by Article 6(4) of the Tariff Network Code. All entry points of the Moldovan entry-exit system are interconnection points with the transmission networks of the adjacent TSOs and for all of them the same tariff is applied. The purpose of this equalization is explained by ANRE as allowing the diversification of gas supply via different routes and as increasing attractiveness of the newly built interconnection with Romania, that proved to be a valuable factor of security of supply for Moldova during energy crisis of 2022. Exit points are grouped into those connecting Moldovan transmission network with neighboring transmission networks, and those for transporting gas to domestic exits. Although equalization, as any other tariff adjustment after the application of the CWD method, contribute to a certain level of cross-subsidization, **the ECRB considers this cross- subsidization acceptable and application of equalization of entry and exit points in Moldova compliant with the Tariff Network Code.**

ECRB concludes that the proposed methodology is appropriate for the Moldovan transmission network based on its characteristics and the requirement to apply harmonized tariffs in the single entry-exit system of the country. At the same time, the information on capacity used for calculation tariffs does not ensure compliance with the principle of cost-reflectivity.

- c) RPM ensuring non-discrimination and preventing undue cross-subsidization including by taking into account the cost allocation assessment set out in Article 5 of the tariff Network Code

ECRB considers the proposed RPM compliant with the principle of non-discrimination since all network users in the same situation pay the same tariffs.

According to Article 5(2) of the Tariff Network Code, the cost allocation assessment, as described in the same article, shall indicate the degree of cross- subsidization between intra-system and cross-system network use based on the proposed RPM. If the capacity cost allocation assessment results in the index referred to in Article 5(4)(c) higher than 10%, the regulatory authority should provide the justification of such result, as it indicate c higher level of cross-subsidization.

ECRB notes that the result of the **cost allocation assessment** performed by ANRE is **within the threshold of 10%** (the comparison index is 9.1%). However, it has to be noted that a more accurate forecast of the contracted capacity may lead to different result. Therefore, **ECRB invites ANRE to repeat the calculation once a more accurate capacity forecast is available.**

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

The tariff consultation document specifies that around 683 mcm will be transported across the entry-exit system of Moldova, in comparison to 1 bcm transported for domestic use. However, as stipulated before, it remains questionable how this capacity has been forecasted. The allowed revenues' calculations of ANRE, not publicly consulted, but made available to the ECRB, refer to the same volume of transit but higher within entry-exit system transport- 1.7 bcm. In both cases, the cross-system volumes are lower and therefore the relevant **risk not assigned to within-system users.**

Taking into consideration that in the several previous years transport of gas via the Trans-Balkan pipeline and its part belonging to *Moldovatrangaz* has been significantly decreasing and that these pipelines were designed for transporting huge volumes of gas, **the ECRB advises ANRE to assess whether the final customers in Moldova face increased tariffs due to underutilization of the mentioned cross-system pipelines.**

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

In its tariff consultation, ANRE points out that the RPM does not aim at distorting cross-border trade, *and actually aims to attract additional network users.* By this, it is meant that the lower tariffs on Ungheni interconnection point in comparison to prevailing tariff period will attract new users to that point. In general, based on the observations regarding cost-reflectivity, non-discrimination and cross-subsidization in chapters 3 (b) and (c) above, it may be concluded that the RPM indeed does intend to distort cross-border trade. Nevertheless, all resulting tariffs-cross-system and within-system, are increased and much higher than elsewhere in the neighborhood and on alternative cross-border transport routes⁴.

The proposed reference prices for annual products are as follows:

For the entry points- 0.84 EUR/MWh/h

For the exit points to the neighboring TSO's - 0.88 EUR/MWh/h

For the exit points to the domestic points - 0.81 EUR/MWh/h

The main reasons for such high transmission tariffs are decreased volumes of gas transported through Moldovan network and the substantial investment for Iasi-Ungheni-Chisinau pipeline that was launched in order to enable diversification of gas sources for Moldova. ANRE expects that transmission tariffs will be decreasing in the coming years, with capital expenditure of *Vestmoldtrangaz* being recovered and gas volumes increasing over years, however it is questionable whether cross-border transmission will increase at proposed high tariffs. Therefore, and as highlighted already in the previous chapters, **the ECRB recommends ANRE to provide forecasts of revenues and capacities for the following years, at least five, to increase transparency and predictability for network users.**

⁴ Information on transmission tariffs in the EU and the Energy Community Contracting Parties is available here: https://www.acer.europa.eu/Publications/ACER_Gas_Market_Monitoring_Report_2021.pdf

4.2. Compliance of the criteria for setting commodity-based transmission tariffs as with requirements of Article 4(3)

ANRE proposes not to apply commodity-based transmission tariffs. The criteria for setting commodity-based transmission tariffs as set out in Article 4(3) are therefore **not applicable**.

4.3. Compliance of criteria for setting non-transmission tariffs with requirements of Article 4(4)

The Agency notes that non-transmission services are not offered in Moldova and therefore the criteria for setting non-transmission tariffs are **not relevant**.

ANNEX I – LEGAL BACKGROUND

Tariff Network Code

Article 27

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 **Energy Community Regulatory Board**.

2. The **Energy Community Regulatory Board** 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 **Energy Community Regulatory Board** shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document, and the **Energy Community Secretariat** the conclusion of its analysis in accordance with paragraph 2 in English.

The **Energy Community Regulatory Board** 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 **Energy Community Regulatory Board** and the **Energy Community Secretariat** 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 2021. 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 2021 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2021.

Article 26 (1)

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 30 (2)

In addition, the following information shall be published with regard to transmission tariffs:

- (a) explanation of the following:
- (i) the difference in the level of transmission tariffs for the same type of transmission service applicable for the prevailing tariff period and for the tariff period for which the information is published;
 - (ii) the estimated difference in the level of transmission tariffs for the same type of transmission service applicable for the tariff period for which the information is published and for each tariff period within the remainder of the regulatory period.
- (b) at least a simplified tariff model, updated regularly, accompanied by the explanation of how to use it, enabling network users to calculate the transmission tariffs applicable for the prevailing tariff period and to estimate their possible evolution beyond such tariff period.

Article 7

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.

Regulation (EC) No 715/2009

Article 13

1. Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(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, and, where appropriate, taking account of the benchmarking of tariffs by the regulatory authorities. Tariffs, or the methodologies used to calculate them, shall be applied in a non-discriminatory manner.

Contracting Parties may decide that tariffs may also be determined through market-based arrangements, such as auctions, provided that such arrangements and the revenues arising therefrom are approved by the regulatory authority.

Tariffs, or the methodologies used to calculate them, shall facilitate efficient 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.

2. Tariffs for network users shall be non-discriminatory and 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 national regulatory authorities. By 3 September 2011, the Contracting Party shall ensure that, after a transitional period, network charges shall not be calculated on the basis of contract paths.

Tariffs for network access shall neither restrict market liquidity nor distort trade across borders of different transmission systems. Where differences in tariff structures or balancing mechanisms would hamper trade across transmission systems, and notwithstanding Article 41(6) of Directive 2009/73/EC, transmission system operators shall, in close cooperation with the relevant national authorities, actively pursue convergence of tariff structures and charging principles, including in relation to balancing.

ANNEX II – LIST OF ABBREVIATIONS

Abbreviation	Definition
ECRB	Energy Community Regulatory Board
ANRE	The National Agency for Energy Regulation of the Republic of Moldova
CWD	Capacity weighted distance
RPM	Reference price methodology
TSOs	Transmission system operators