

According to Article 19(5) of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005<sup>1</sup>, Gas Storage Poland sp. z o.o. shall provide information on tariff derivation, the methodologies and the structure of its *Tariff for gas storage services* (**hereinafter the “Tariff”**).

## **I. The method of Tariff setting and calculation**

The Tariff is set according to the provisions of the Energy Law Act of 10 April 1997 (hereinafter the **“Energy Law Act”**)<sup>2</sup> and the Regulation of the Minister of Energy of 15 March 2018 on detailed principles of tariff design and calculation, and on settlements in gas trade (hereinafter the **“Tariff Regulation”**)<sup>3</sup>.

Below, we present the specific provisions of the Energy Law Act and the Tariff Regulation taken into consideration in definition of the Tariff, which set out the method of tariff setting and calculation with respect to gas storage<sup>4</sup>:

### **1) Energy Law Act:**

#### **Article 3 (...)**

17) tariff - means a set of prices and rates of charges as well as the related terms and conditions, defined by an energy company and applicable to the customers specified therein according to a procedure set out in the Act;

**Article 45** 1. Energy companies shall set tariffs for gas or electricity according the scope of their business activity, as referred to in Article 32(1); the tariffs shall be calculated in a manner that ensures:

1) coverage of justified costs of the business activity undertaken by energy companies with respect to (...) the storage of (...) gas, including a justified return on capital employed in such activity;

1a) coverage of justified costs of the business activity undertaken by energy companies with respect to the storage of gas, including the construction, expansion and modernization of natural gas storage facilities, including a justified return on capital employed in this activity, at the level of at least 6% ROCE;

2) (...);

3) protection of customer interests against unjustified level of prices and rates of charges.

2. The tariffs for gas, electricity and heat may take into account the expenditures related to the co-financing of projects and services aimed at the reduction of fuels and energy consumption by customers, provided that such expenditures are economically justified by the avoidance of the development of new energy sources and networks.

3. The tariffs for gas, electricity and heat may take into account the expenditures related to the co-financing of projects related to the development of renewable energy sources.

4. Energy companies shall differentiate prices and rates of charges set forth in the tariffs for gas, electricity or heat for different groups of customers, exclusively on the basis of the justified costs resulting from service performance, unless otherwise permitted by law.

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<sup>1</sup> O.J.EU.L.2009.211.36 as amended.

<sup>2</sup> Dz.U. 2018, item 755 – consolidated text with amendments

<sup>3</sup> Dz.U. 2018, item 640.

<sup>4</sup> To avoid any doubt, the following selection of legal regulations is provided exclusively for information purposes and does not constitute a source of law.

## **2) Tariff Regulation:**

**§ 3.** 1. The prices or rates of charges for individual tariff groups set out in the tariff should be differentiated according to the justified costs of the undertaken business activity related to the supply of gas, while eliminating any cross-subsidisation.

2. The tariff shall be designed in such a manner as to ensure that the customer is able to calculate on its basis the amounts due in respect of the scope of gas supply services specified (...) in the gas storage services agreement (...).

### **§ 4. (...)**

5. The elements to be defined in the tariff by an energy company engaged in business activity concerning the storage of gas shall include:

- 1) tariff groups and the criteria for customer classification to such groups;
- 2) rates of charges applicable with respect to the provision of gas storage services, hereinafter referred to as the "storage charges";
- 3) the methods of setting the storage charges payable under:
  - a) short-term agreements,
  - b) interruptible contracts;
- 4) method of the calculation of discounts for failure to meet quality standards applicable to gas storage services;
- 5) discounts for failure to meet customer service standards;
- 6) rates of charges or the method of determination of the rates of charges for additional services provided on customer's request.

**§ 5.** 1. The division of customers into tariff groups shall be made depending on the level of justified costs incurred by the energy company in connection with the supply of gas, on the basis of the following criteria:

- 1) type of gas;
  - 2) technical characteristics of the entry points or exit points;
  - 3) technical characteristics of the entry points or exit points;
  - 4) volumes and characteristics of the injection or withdrawal of gas from the storage facility;
  - 5) volumes and characteristics of the delivery or offtake of gas at the delivery or offtake points;
  - 6) scope of provided services;
  - 7) place of gas delivery or offtake;
  - 8) settlement system;
  - 9) consumption of gas for the needs of household customers;
  - 10) amount of energy contained in gas purchased at a virtual point;
  - 11) gas offtake with the use of prepaid metering system.
2. A customer taking gas from the network at multiple points shall be assigned to tariff groups separately at each of such points, unless the relevant contract provides otherwise.

**§ 6.** 1. The prices or rates of charges set out in the tariff shall be calculated for the period of 12 calendar months.

2. The justified costs which constitute the basis for the calculation of the prices or rates of charges referred to in section 1 above, for business activity concerning:

1) (...) storage (...) – shall be understood as the justified costs of the energy company planned for the respective year, including the justified return on the capital engaged in the undertaken business activity;

2) (...).

**§ 7.** 1. The costs referred to in § 6 section 2 shall be established according to Articles 44 and 45 [of the Energy Law Act] and the principles of cost recognition set forth in the accounting regulations, in a manner which enables the determination of fixed and variable costs planned by the energy company for each type of business activity, taking into account the sources of such costs.

2. The costs referred to in § 6 section 2 shall be established and assessed on the basis of comparable costs incurred by the energy company in the calendar year preceding the year of tariff presentation for approval, determined on the basis of the financial statements according to Article 44(2) [of the Energy Law Act].

3. The assessment of the costs referred to in § 6 section 2 may be made on the basis of comparable costs of the business activity of energy companies engaged in the same type of business activity, under comparable conditions.

4. The costs referred to in § 6 section 2 shall be established considering, for each year of the regulation period, the amount of energy contained in the gas volumes to be (...) kept in storage (...), and the expected contracted capacity, injection capacity and withdrawal capacity as well as the expected number of bundled units, measurement systems and concluded contracts.

5. The estimation of the amount energy contained in gas to be (...) kept in storage (...), contacted capacities, injection capacities and withdrawal capacities, number of bundled units, measurement systems and concluded contracts, shall be made on the basis of the relevant data for the calendar year preceding the year of tariff presentation for approval.

6. In case of newly established energy companies or existing energy companies undertaking a new line of business activity with respect to gas supply, the level of prices and rates of charges shall be calculated on the basis of the expected costs and sales volumes for the first year of carrying out the new business activity.

7. The assessment of the level of the prices and rates of charges set by the entities referred to in section 6 above shall take into account comparative analyses concerning the unit costs projections made by these entities and the costs used for the calculation of prices and rates of charges by other energy companies which carry out business activity of the same kind and on similar scale.

**§ 8.** 1. The costs shared by all or several tariff groups and the costs shared by all or several line of business activity carried out by the energy company shall be allocated to the individual tariff groups and individual lines of business activity according the a cost allocation methodology adopted in the company.

2. The cost allocation methodology, cost recognition principles and the division of customers into tariff groups shall not be changed during the regulation period.

**§ 9.** 1. In order to determine the improvement of the energy company's operating efficiency in the regulation period, adjustment factor "X" shall be defined for the subsequent years so as to fulfil the condition defined in the following formula:

$$K_{wn} \leq K_{wn-1} \cdot \left[ 1 + \frac{(RPI - X_n)}{100\%} \right]$$

where:

- $K_{wn}, K_{wn-1}$  - justified costs of the energy company related to the business activity carried out by the company, reflecting the conditions for the performance of such activity which are controlled by the energy company, established specifically with the use of the comparative methods referred to in Article 47(2)(e) of [the Energy Law Act], for the subsequent years of the regulation period; in the first year of the regulation period the costs " $K_{wn-1}$ " are equal to the costs for the year preceding the year of setting the adjustment factors "X",
- $X_n$  - adjustment factors defining the expected operating efficiency improvement of the energy company, set once for the subsequent years of the regulation period, in the year of tariff approval for the first year of the regulation period [in %]; the adjustment factor for the first year of the regulation period, depending on the business activity carried out by the energy company, shall be reflected either in the commodity (gas) prices or in the rates of charges for the provision of services related to the supply of gas, set out in tariffs,
- RPI - overall annual average index of retail prices of goods and services, for the calendar year preceding the year of tariff submission for approval, as announced by the President of the Central Office of Statistics in the Official Journal of the Republic of Poland "Monitor Polski" in [%].

2. In order to establish the acceptable change in the prices or rates of charges for a given year of the regulation period, resulting from the changes in the external business environment of the company or the performance efficiency improvement within the company, adjustment factors "Y" shall be defined for the individual types of business activity in such a manner as to ensure that the condition defined in the following formula is fulfilled with respect to revenues " $P_n$ ":

$$P_n \leq P_{n-1} \cdot \left[ 1 + \frac{Y_n}{100} \right]$$

where:

- $P_n, P_{n-1}$  - revenues for a given type of business activity established in the manner described in section 3,
- $Y_n$  - adjustment factors set each year and reflected in the commodity (gas) prices or rates of charges for the provision of services related to gas supply, which reflect the change in the conditions for the performance of a given type of business activity beyond the control of the company, including specifically the change of the purchase costs of gas or services related to gas supply, sales volume and structure or tax burden, or the expected improvement of the energy company's performance efficiency in [%].

3. Revenues " $P_n$ ", referred to in section 2, with respect to:

(...)

3) storage of gas shall be calculated as the product of the rates of charges planned in the tariff for the respective year of its application and, as appropriate, the number of bundled units or the working volume, injection capacity and withdrawal capacity ordered in the calendar year preceding the year of the tariff submission for approval;

(...)

4. Revenues " $P_{n-1}$ " for the year preceding a given year of tariff application, which are referred to in section 2, shall be calculated, as appropriate, in the manner described in section 3, on the basis of the

prices and rates of charges set out in the applicable tariff and the volume and structure of gas and service sales in the calendar year preceding the year of the tariff submission for approval.

5. The provision of section 2 shall apply in case of a documented change of the external conditions affecting the performance of business activity by the energy company, which justify the change of such tariff during the period of its application. In such case, the revenues for a given business line " $P_n$ " and " $P_{n-1}$ ", shall mean, as appropriate, the calculation revenues established based on the prices and rates of charges after the tariff change ( $P_n$ ) and before its change ( $P_{n-1}$ ) calculated according to the energy content of gas, contracted capacities, injection and withdrawal capacities, number of bundled units and measurement systems assumed for the calculation of the tariff.

**§ 10.** 1. The level of revenues which covers the justified costs established for each year of the regulation period shall include, according to the type of business activity, the revenues from:

- 1) prices and rates of charges;
- 2) capacity overrun fees;
- 3) charges for services performed on additional request of the customer;
- 4) performance of the agreement referred to in Article 9h(3)(2) [of the Energy Law Act], as well as the performance of actions under the decision referred to in Article 9h(9) [of the Energy Law Act];
- 5) charges for system balancing and congestion management.

2. The revenues referred to in section 1.4 shall be reduced by costs incurred in connection with the performance of the agreement and the actions under the decision.

3. The revenues generated from the fees and charges referred to in section 1 subsections 2 and 3 shall include the revenues from such fees and charges for the period referred to in § 7 section 2.

4. The revenues referred to in section 1 shall exclude the following:

- 1) revenues from charges for:
  - a) illegal gas consumption,
  - b) interrupting gas supply when the supply was interrupted due to the reasons referred to in Article 6b section 1 and section 2 [of the Energy Law Act];
- 2) revenues which constitute the difference between the revenues from sale of contracted capacity in interconnections or from sale of storage services offered on auction basis and the revenues the energy company would have generated in case when the settlements in respect of the sold contracted capacity or sold storage services would have been made on the basis of the rates of charges set out in the tariff.

(...)

**§ 23.** 1. The energy company which carries out business activity with respect to gas storage shall calculate the level of storage charges as the rate of a fixed charge on the basis of the expected justified costs of the operation of specific types of storage facilities, taking into account the gas injection or withdrawal curves and the cost of purchase of gas transmission services or gas distribution services at the points of entry to and exit from the storage facilities, for the services provided in the form of:

- 1) a bundled unit where injection capacity, working volume and withdrawal capacity are made available to the customer jointly, and their levels and relative values are defined in the technical specifications of individual storage facilities;
- 2) a flexible bundled unit where working volume and a range of injection and withdrawal capacities are made available to the customer jointly within pre-agreed relative proportions, the level and relative values of which are defined in the technical specifications of individual storage facilities;

3) unbundled service where injection capacity, working volume or withdrawal capacity are made available to the customer separately, according to the technical specifications of individual storage facilities.

2. The rates of storage charges set out in the tariff, in case when storage services are offered in an auction procedure, shall be the minimum rates.

**§ 24.** The charge for gas storage service:

1) provided in the form of bundled units shall be calculated according to the following formula:

$$O_m = S_p \cdot N_p \cdot k$$

where:

$O_m$  - charge for the storage service in [PLN],

$S_p$  - rate of charge for an ordered bundled unit in [PLN/month],

$N_p$  - number of bundled units ordered in the settlement period,

$k$  - number of months in the settlement period;

2) provided in the form of flexible bundled units shall be calculated according to the following formula:

$$O_m = S_v \cdot V_c \cdot k + S_{mz} \cdot M_z \cdot T + S_{mo} \cdot M_o \cdot T$$

where:

$O_m$  - charge for the storage service in [PLN],

$S_v$  - rate of charge for ordered working volume in the settlement period in [PLN/MWh],

$V_c$  - ordered working volume in the settlement period in [MWh],

$k$  - number of months in the settlement period,

$S_{mz}$  - rate of charge for ordered injection capacity for each hour of the settlement period in [PLN/MWh/h],

$M_z$  - ordered injection capacity in the settlement period in [MWh/h],

$S_{mo}$  - rate of charge for ordered withdrawal capacity for each hour of the settlement period in [PLN/MWh/h],

$M_o$  - ordered withdrawal capacity in the settlement period in [MWh/h],

$T$  - number of hours in the settlement period;

3) provided in the form of unbundled service shall be calculated depending on the ordered:

a) working volume in the settlement period, or

b) injection capacity, or

c) withdrawal capacity

- according to the following formula:

$O_m = S_v \cdot V_c \cdot k$  - in case of an agreement for the provision of working volume,

$O_m = S_{mz} \cdot M_z \cdot T$  - in case of an agreement for the provision of injection capacity,

$O_m = S_{mo} \cdot M_o \cdot T$  - in case of an agreement for the provision of withdrawal capacity,

where:

$O_m$  - charge for the storage service in [PLN],

$S_v$  - rate of charge for ordered working volume in the settlement period in [PLN/MWh],

$V_c$  - ordered working volume in the settlement period in [MWh],

$k$  - number of months in the settlement period,

- $S_{mz}$  - rate of charge for ordered injection capacity for each hour of the settlement period in [PLN/MWh/hour],
- $M_z$  - ordered injection capacity in the settlement period in [MWh/h],
- $S_{mo}$  - rate of charge for ordered withdrawal capacity for each hour of the settlement period in [PLN/MWh/hour],
- $M_o$  - ordered withdrawal capacity in the settlement period in [MWh/h],
- $T$  – number of hours in the settlement period.

**§ 25.** 1. The energy company engaged in business activity concerning gas storage shall provide a gas quality testing service on an additional request of the customer.

2. The fee rate for the service referred to in section 1 shall be calculated on the basis of the expected justified costs of such service.

3. In case of discovering an energy company's failure to conform to the quality specifications for gas kept in storage the fee for the performance of the service referred to in section 1 shall not be chargeable.

**§ 39.** The energy company shall reduce the charges payable by the customer for the services concerning (...) gas storage (...) proportionally to the actual reduction of contracted capacity and the number of hours of the interruption or disruption, specifically in the case of interruptions or disruptions resulting from:

- 1) equipment failure, or threatened or actual explosion;
- 2) threatened or actual fire;
- 3) performance of works related to failure removal;
- 4) scheduled maintenance or repair of the network;
- 5) performance of works related to the connection of customers to the gas network;
- 6) works carried out in connection with the change of the kind of delivered gas.

**§ 41. 1.** In case of a failure by the energy company to conform to the customer service standards, unless the agreement provides otherwise, customers shall be entitled to discounts:

- 1) for refusal to provide, at the customer's request, information on the expected time of the resumption of gas transmission or distribution interrupted due to a network failure – in the amount of 1/50 of the average salary in the national economy in the calendar year preceding the year of tariff approval, as announced by the President of the Central Office of Statistics in the Official Journal of the Republic of Poland "Monitor Polski";
- 2) for refusal to provide, at the customer's request, information on the expected time of removing a failure and the resulting disruptions in the operation of a storage facility (...) – in the amount of 1/50 of the salary referred to in point 1;
- 3) (...)
- 4) for an unjustified delay in removing a failure which occurred (...) in a storage facility (...), and in removing any resulting disruptions (...) in the operation of a storage facility – in the amount of 1/15 of the salary referred to in point 1;
- 5) (...)
- 7) in case of a failure to provide information, either in writing, by phone or using another means of communication, about the times and duration of any planned interruptions in the operation of a storage facility (...) – in the amount of 1/10 of the salary referred to in point 1;
- 8) (...)
- 9) for refusal to implement (...) appropriate procedures within (...) a storage facility (...), in order to enable safe performance of works by the customer or a third party within an area affected by the operation of such network or facility – in the amount of 1/30 of the salary referred to in point 1;

10) for refusal to provide, on the customer's demand, information on the settlement principles and current tariffs – in the amount of 1/50 of the salary referred to in point 1;

11) for exceeding the fourteen days' time limit for the processing of and responding to an application or a complaint concerning the settlement principles, for each day of delay – in the amount of 1/250 of the salary referred to in point 1; in case when the application or complaint requires an inspection or measurements, the fourteen days' time limit runs from the date on which such inspection or measurement have been completed;

12) (...)

**2.** The energy company shall approve granting the discount within 30 days of the occurrence of the event, referred to in section 1

**§ 50** Until 31 December 2020, granting the discount referred to in § 40 and § 41, shall be either approved or refused by the energy company within 30 days of the submission of the request by the customer of the energy company.



## **II. Tariff structure**

The Tariff consists of the following sections:

1. General provisions
2. Definitions
3. Types of services and technical specifications
4. Tariff groups and classification criteria
5. Settlement principles
  - 5.1 General provisions
  - 5.2 Rates of charges
  - 5.3 Charges payable for additional services
6. Short-term service and intraday service
  - 6.1 Settlements in respect of monthly storage service
  - 6.2 Settlements in respect of weekly storage service
  - 6.3 Settlements in respect of daily storage service
  - 6.4 Settlements in respect of intraday storage service
7. Discounts
  - 7.1 Discounts in respect of introduced restrictions in the operation and a failure to maintain the storage service quality standards
  - 7.2 Discounts in respect of a failure to meet storage customer service standards
  - 7.3 Discounts for the reduction of the contracted capacity by the Transmission System Operator