

## CAPEX review – Case Study session

# Case study by **Hungarian Energy and Public Utility Regulatory Authority (MEKH)**

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# General outline of the elements of allowed revenues

***Although the elements will contain other categories that do not fall under CAPEX review, please name all in general***

## **TSO system:**

- *Piping (PE coated steel pipes),*
- *OTR (SCADA) system + station field equipment (chromatographs, computers, control and monitoring equipment, communication network elements)*
- *Hydraulic sizing/design*
- *IT platform,*
- *compressor stations*
- *gas transfer/measuring/separation stations (measuring circuits, heat exchangers, filters, separators)*
- *Pigging starter-catcher stations*
- *Staging station*
- *cathodic protection system*
- *buildings*
- *roads, spaces*
- *trail marking*
- *fire and lightning protection*
- *asset protection*
- *energy supply*
- *utility crossings,*
- *pipeline right of way/right of use*
- *salvage,*
- *environmental works,*
- *geodesy,*
- *e-utility registration,*
- *own works*

# General outline of the elements of allowed revenues

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## DSO System:

- *Pipeline (backbone/branch, steel/PE, low/medium/high pressure),*
- *metering/receiving station,*
- *disconnecting slide valves,*
- *corrosion protection system,*
- *utility crossings,*
- *monitoring system,*
- *metering data transmission,*
- *POD measurement/pressure control,*
- *pipeline right of way/right of use establishment,*
- *asset recovery,*
- *environmental works,*
- *geodesy,*
- *e-utility registration,*
- *IT platform,*

# General outline of the elements of allowed revenues

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## UGS System:

- *Pipeline*
- *building*
- *road*
- *energy supply*
- *volume, gas quality meter/preparer/compressor/transfer station*
- *disconnecting slide valve*
- *corrosion protection system*
- *utility crossings*
- *monitoring system*
- *metering data transmission*
- *establishment of pipeline right of way/right of use*
- *salvage*
- *environmental works*
- *geodesy*
- *e-utility registration*
- *IT platform*

# General outline of the elements of allowed revenues

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***Although the elements will contain other categories that do not fall under CAPEX review, please name all in general***

**What is actually taken into account in the CAPEX review:**

[http://www.mekh.hu/download/b/0d/d0000/modszertani\\_utmutato\\_a\\_foldgaz\\_szallitasi\\_rendszeruze\\_meltetok\\_indokolt\\_koltsegeinek\\_meghatarozasahoz.pdf](http://www.mekh.hu/download/b/0d/d0000/modszertani_utmutato_a_foldgaz_szallitasi_rendszeruze_meltetok_indokolt_koltsegeinek_meghatarozasahoz.pdf)

*[Tables on pages 40-41. ]*

# Categories of network investments

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*Please name the categories of possible network investments*

- *New construction, investment,*
- *Extension of existing elements,*
- *Reconstruction of existing elements.*

# Regulatory model used for CAPEX review

***Please describe your approach to the review and approval of capital expenditures by regulated entities – cost-based, incentive-based etc.***

- The purpose of determining the regulatory asset value is to assess the value of the assets needed to carry out the licensing activity from a price regulation perspective. The technical justification of the intangible and tangible assets for the licensed activity is assessed on the basis of their function, type, quantity and technical characteristics.
- The assessment of justification includes an examination of technical and material justification. The technical justification test eliminates assets that do not serve the licensed activities. The material justification test examines the justification for these assets in terms of the extent of their value to be included and recognised in the regulation.

[http://www.mekh.hu/download/b/0d/d0000/modszertani\\_utmutato\\_a\\_foldgaz\\_szallitasi\\_rendszeruze\\_meltetok\\_indokolt\\_koltsegeinek\\_meghatarozasahoz.pdf](http://www.mekh.hu/download/b/0d/d0000/modszertani_utmutato_a_foldgaz_szallitasi_rendszeruze_meltetok_indokolt_koltsegeinek_meghatarozasahoz.pdf) [Page 35.]

- *also:*

[http://www.mekh.hu/download/a/0d/d0000/modszertani\\_utmutato\\_a\\_foldgazelosztok\\_indokolt\\_koltsegeinek\\_meghatarozasahoz.pdf](http://www.mekh.hu/download/a/0d/d0000/modszertani_utmutato_a_foldgazelosztok_indokolt_koltsegeinek_meghatarozasahoz.pdf) [Page 31.]

# CAPEX assessment models

***Please describe the procedure on how you evaluate and review your CAPEX assessment model***

- Every 4 years, a cost review is carried out to determine the RAB using static and dynamic tests.*
- In the years of the four-year cycle, the RAB will be revised annually to take account of inflation and new instruments required by law.*
- During the cost review, the RAB is established with the assistance of an expert. At that time, amortization is also taken into account.*

**THANK YOU FOR YOUR ATTENTION!**