



Tariff Design and Allocation of Allowed Revenues to Customer Categories

Roundtable input by the Republic of Moldova

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Consumer Groups



What are the consumer groups in your tariff design (Sectoral categories, consumption amount levels, pressure levels, other?)

In accordance with point 55 of the Methodology for calculating, approving and applying regulated prices for the supply of natural gas approved by the Decision of the Board of Directors of the National Agency for Energy Regulation of the Republic of Moldova (ANRE) no. 355 of 13.08.2021, the regulated prices are determined depending on the consumption of natural gas:

- 1. Upon entry into the natural gas transport networks;*
- 2. Upon leaving the natural gas transport networks;*
- 3. At the exit from high pressure distribution networks;*
- 4. At the exit from medium pressure transport networks;*
- 5. At the exit from the low pressure transport networks;*

TSO Tariff Design & Cost Allocation



Please explain the allocation mechanism - how do you allocate costs to consumer groups

In accordance with point 53 of the Methodology for Calculating, Approving, and Applying Regulated Tariffs for Natural Gas Transportation Services, approved by the Decision of the ANRE Board of Directors No. 535 dated December 27, 2019, the tariffs for natural gas transportation services are determined using the reference price method based on the weighted average distance according to capacity (for firm annual capacity), applying the following parameters and criteria:

- 1) The estimated capacity to be reserved (contracted) at each entry point or in a group of entry points and at each exit point or in a group of exit points.*
- 2) Combinations of entry and exit points, in cases where some entry and exit points can be combined into a relevant flow scenarios.*
- 3) The shortest distance of routes through the transportation networks between an entry point or a group of entry points and an exit point or a group of exit points, in cases where entry and exit points can be combined into a relevant flow scenario.*
- 4) In cases where entry and exit points cannot be combined into a flow scenario, this combination of entry and exit points is not taken into account.*
- 5) The allocation of costs for entry/exit is done at a ratio of 50/50.*

DSO Tariff Structure



Please explain the allocation of allowed revenues to customer categories

The determination of differentiated tariffs for natural gas distribution services is carried out based on the pressure levels in the natural gas distribution networks to which the installations of natural gas consumers or other system operators are connected. Three types of tariffs are distinguished based on pressure network levels:

- a) Tariff for the distribution service of natural gas delivered through high-pressure networks.*
- b) Tariff for the distribution service of natural gas delivered through medium-pressure networks.*
- c) Tariff for the distribution service of natural gas delivered through low-pressure networks.*

It should be noted that in determining these tariffs, the costs from the DSO (Operating, Service, and Development) expenses are allocated proportionally to the length of natural gas networks at each pressure level. This provision is indicated in the Tariff Methodology.

Allocating CAPEX



What are the criteria of allocating CAPEX? Which physical parameters are taken as reference?

*In accordance with point 22 of the Methodology for calculating, approving, and applying regulated tariffs for natural gas distribution services, approved by the Decision of the ANRE Board of Directors No. 443 dated November 24, 2020, depreciation expenses for fixed assets and intangible assets **are allocated among pressure network levels proportionally to the length of high-pressure, medium-pressure, and low-pressure natural gas distribution networks owned by the operator at the beginning of the year "n".***

Allocating OPEX



What are the criteria of allocating OPEX? Which physical parameters are taken as reference?

Material expenses, labor costs, and expenses related to services provided by third parties, in the determination of tariffs, are allocated proportionally to the length of natural gas networks.

*According to point 41 of the Tariff Methodology, the administrative expenses (CAn) for the regulated activity are determined when establishing the basic costs, by allocating the total administrative expenses of the DSO between the activities carried out (regulated and unregulated) in proportion to **the share of the amount of income obtained from the activities targeted in the sum of the total revenues achieved by the license holder, in the previous years (4 years)**. When determining tariffs, (CAn) is distributed to each type of network in proportion to the volumes of natural gas that were distributed.*



**THANK YOU
FOR YOUR ATTENTION!**

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