

DSO Tariff Structure

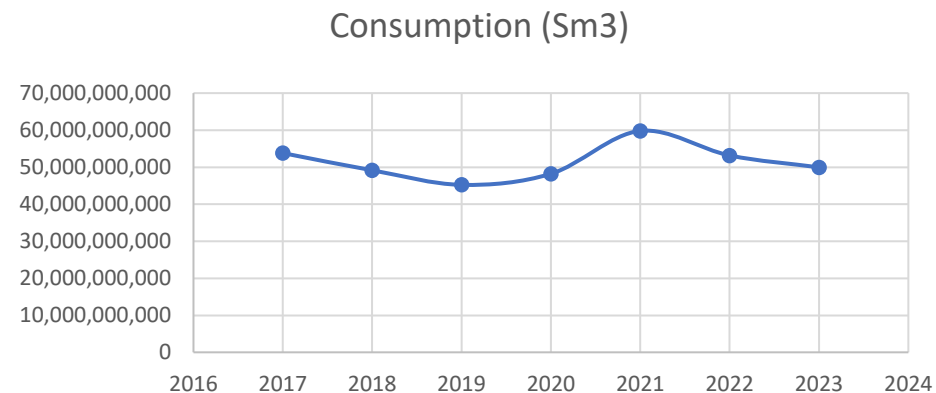
Roundtable input by *Türkiye*

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- *Basic information about DSO system (developments, consumption trends, structure, etc)?*
- Natural gas consumption in Türkiye, which started with 0,5 billion m³ in 1987; reached approximately 60 billion m³ in 2021, and finally in 2023 ended with 50,2 billion m³ (due to the decrease in NG power plants and the warm winter months).



- There are 72 distribution companies and except one all of them are private.
- The # of consumers have exceeded 20 million (# of eligible consumer is around 770 k).
- 2023 NG consumption by sectors is shown in the table:

Sectors	Consumption (Sm ³)
Elektricity Generation	14,0
Transformation	1,5
Transportation	0,1
Industry	12,2
Service	5,3
Households	17,0
Others	0,1
TOTAL	50,2

Natural gas distribution tariffs:

- According to the **price cap** methodology,
- Tariff implementation period is 5 years,
- Depreciation period is 22 years,
- Efficiency and effectiveness analyses are used,
- CAPEX and OPEX are subjected to analyse,
- Updated every month depending on the change in the inflation rate (CPI),
- **Financial costs, exchange risks, tech. losses and the bad debts** are not taken into account in the tariff calculations.

- *When was the last DSO tariff approved (for a DSO that has significant share in the market)?*

Calculations for the 3rd tariff implementation period, covering the years between 2022 and 2026, were completed by the end of 2022. Tariffs of all the DSO's published.

However winter months of the 2023, were quite warmer than other years, so especially household gas consumption was decreased dramatically. Therefore the consumption forecasts of DSO's deviated significantly. Because of the price cap regulation, the DSO's did not acquire the revenue requirement (RR) which calculated in the tariffs.

According to tariff methodology; we revise the tariffs if «the income deviation from the consumption deviation» is over than $\pm 10\%$. To fix this situation we have to correct the consumption forecasts of the distribution companies for the remaining years of the third tariff period.

I guess, we will have finalized the tariff revision process till the end of May.

▪ *Is set tariff fixed?*

The distribution tariffs vary according to the levels, but the tariff determined for each level is variable. So the more natural gas a customer consumes, the more he pays.

But at transmission side there are fixed and variable part with the ratio of 45-55% .

However when we look at the structure of the tariffs, RR of DSO's consists of two main component which are CAPEX and OPEX.

*In OPEX side, there are fixed and variable component. Expenses that change according to physical parameters like **# of consumers, length of pipeline, etc.** are called variable, others are called fixed. Since the fixed and variable ratio could not be determined precisely from the DSO's data, it was accepted as 50-50%.*

- *Are there any changes planned in tariff structure?*

The distribution tariffs are determined according to the price cap methodology for 3 tariff implementation periods. Hitherto some crucial revisions were made in the tariff methodology. These revisions were mostly about Capex and Opex analysis methods.

But in 4th or 5th tariff period it is planned to change the method with TOTEX.

- *The number of users and consumption in each tariff group?*

The total number of customers and total consumption values of distribution companies are shown in the table.

Consumption Stages (Sm ³)	# of Consumers	Total Consumption (Sm ³)
0- 100.000	20.206.762	20.251.811.263
100.001 - 1.000.000	8.163	2.474.221.874
1.000.001 - 10.000.000	1.092	3.317.641.125
10.000.001 - 100.000.000	237	5.893.703.829
100.000.001 and above	47	15.441.260.729
Total	20.216.300	47.378.638.820

However, the consumption of "consumers out of the distribution region and connected only through the transmission line" is around 3 billion Sm³.



**THANK YOU
FOR YOUR ATTENTION!**

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