



Draft Framework Guidelines on rules regarding harmonised transmission tariff structures for gas

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This Document contains the draft Framework Guidelines on rules regarding Harmonised Transmission Tariff Structures in European Gas Transmission Networks, which the Agency for the Cooperation of Energy Regulators (ACER) has prepared pursuant to Articles 6 of Regulation (EC) No 713/2009 and 715/2009 as well as on the basis of a request from the European Commission dated of 29 June 2012, and of a subsequently followed extension confirmation from the European Commission dated of 18 December 2012.

On 15 March, in its letter to ACER, the European Commission expressed concerns about the degree of harmonisation of the cost allocation methodologies and the determination of the reference price chapter and suggested amendments of the provisions on transparency, mitigating measures and definition. Following up on these concerns, ACER is revising the cost allocation methodologies and the determination of the reference price chapter.

The adoption of the final Framework Guidelines is foreseen for 30 November 2013.

Related Documents

- Scope and main policy options for Framework Guidelines on Harmonised transmission tariff structures (Public Consultation Document), DFGT-2012-G-004, 08 February 2012
- EUI, THINK report on EU involvement in electricity and natural gas transmission grid tariffication, January 2012
- European Commission, DG Energy, Study on Methodologies for Gas Transmission Network Tariffs and Gas Balancing Fees in Europe, December 2009

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1. General Provisions

1.1. Introduction

Directive 2009/73/EC¹ (hereafter the 'Gas Directive') confers upon the National Regulatory Authorities (NRAs) the power to fix or approve, sufficiently in advance of their entry into force, at least the methodologies used to calculate or establish the terms and conditions for connection and access to national gas networks, including transmission tariffs. Although no specific tariff structure is foreseen or implied by its provisions, the Gas Directive and Regulation (EC) No 715/2009² (hereafter the 'Gas Regulation') contain certain requirements which need to be complied with in the final tariff or tariff methodology.

The Framework Guidelines on rules regarding harmonised transmission tariff structures for gas (hereafter the 'Framework Guidelines on Tariffs') aim at providing guidance on the structure and the methodologies for setting gas transmission tariffs to be paid by network users for the transmission services offered at each entry and exit point within the scope of the Framework Guidelines on Tariffs (see section 1.2). The Framework Guidelines on Tariffs aim at setting clear and objective principles for the development of a Network Code on harmonised transmission tariff structures for gas (hereafter the 'Network Code on Tariffs'), pursuant to Articles 6(2) and 8(6)(k) of the Gas Regulation.

The overall final aim of the Network Code on Tariffs is to lead to gas transmission tariff structures in Europe which do not discriminate between cross-border and domestic network users and do not have detrimental effects on cross-border trade³.

The Framework Guidelines are adopted on the basis of Regulation (EC) No 715/2009. Irrespective of whether the subsequent network code will be adopted as an Annex to the Regulation (EC) No 715/2009, references to this Regulation shall be understood as also referring to the network code.

1.2. Scope and objectives

These Framework Guidelines apply to the transmission services offered at all entry and exit points of gas Transmission System Operators (TSOs), irrespective of whether they are physical or virtual.

However, certain aspects of these Framework Guidelines only apply to entry and exit points at interconnection points under the scope of the Network Code on capacity allocation mechanisms (hereafter the 'Network Code on CAM')⁴. This will be specified in the relevant sections.

The transmission services may either be determined by the Network Code on CAM or by NRAs for points not covered by the Network Code on CAM.

¹ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, OJ L 211, 14.8.2009, p.94.

² 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, OJ L211, 14.8.2009, p. 36.

³ In line with Article 13 of Regulation 715/2009.

⁴ See documentation under <http://www.entsog.eu/publications/camnetworkcode.html>
<http://www.entsog.eu/publications/camnetworkcode.html>

The overarching objective of these Framework Guidelines on Tariffs and of the Network Code on Tariffs is to lay down clear and objective requirements for harmonising the gas transmission tariff structures across the EU, to the extent that this is necessary to contribute to non-discrimination and effective competition and the efficient functioning of the market.

In particular, tariffs for access to transmission networks, or the methodologies used to calculate them, shall:

- be transparent;
- take into account the need for system integrity and its improvement;
- be cost-reflective;
- be non-discriminatory;
- facilitate efficient gas trade and competition;
- be set separately for every entry point into, and exit point out of, the transmission system, ensuring that network charges shall not be calculated on the basis of contract paths;
- neither restrict market liquidity, nor distort trade across transmission system borders;
- avoid cross-subsidies amongst network users;
- provide incentives for efficient new investment;
- maintain or create interoperability of transmission networks.

Furthermore, the price of interruptible capacity shall reflect the probability of interruption. Also, transport contracts signed with non-standard dates or with durations shorter than a standard annual transport contract shall not result in arbitrarily higher or lower tariffs.

Finally, the pricing of transmission capacity needs to strike a balance between facilitating short-term gas trading on the one hand, and promoting cost recovery and providing long-term signals for efficient investments on the other.

The Network Code on Tariffs will be evaluated by the Agency. In doing so, the Agency shall consider the degree of alignment with these Framework Guidelines, as well as the fulfilment of the overall objectives of the internal energy market, including maintaining security of supply, supporting the completion and well-functioning of the internal market in gas and cross-border trade, and delivering benefits to consumers.

1.3. Definitions

The definitions in the Gas Directive, the Gas Regulation, including Annexes, apply to these Framework Guidelines. Moreover, the following definitions also apply:

Allowed revenue	The maximum level of revenues set or approved by the NRA that a TSO is allowed to obtain within a defined period of time for providing the regulated service(s).
Auction premium	The difference between the reserve price and the clearing price in an auction.
Bundled reserve price	The reserve price applicable to a bundled capacity product offered at an auction.
Cost allocation methodology	The methodology that determines the share of the TSO's (allowed) revenues which is to be collected from the expected sale of transmission services at every entry or exit point.

Cost driver	A cost driver is either an input, throughput or output parameter within a TSO's activity which is correlated, irrespective of causation, to the TSO's costs in their entirety or to a subset of them.
Domestic point ⁵	
Entry point	A point into an entry-exit system, either from an adjacent entry-exit system or from an LNG facility, production facility, storage facility, distribution network, or from a third country, that is subject to network tariffs.
Exit point	A point out of an entry-exit system either into another entry-exit system or into a distribution network, storage facility, transmission-connected consumer, or to a third country, that is subject to network tariffs.
Equalisation approach	Setting entry (or exit) tariffs by means of equal reference prices. This may be done so that all entry (or exit) points in an entry-exit system have the same reference price or that all entry (or exit) points within a sub-geographical area in the entry-exit system have the same reference price.
Fixed costs	All costs that are not affected, in the short run, by the amount of transmitted natural gas.
Multiplier	A factor to calculate reserve prices for non-yearly standard capacity products derived from the proportional yearly reference price, before the application of a seasonal factor, if any.
Non-physical backhaul flows	At unidirectional entry or exit points, the volume of gas nominated to be flowed in the opposite direction to the physical flow.
Payable price	The price to be paid for capacity by the network user to the TSO.
Price cap regime	A tariff regime under which the NRA sets an upper limit to the price, or to the weighted average of the prices of services provided by the TSO.
Rate of return regime	A tariff regime under which the TSO is permitted to earn a given rate of return on capital and to recover operational costs, provided that they are reasonably incurred.
Reconciliation of regulatory accounts	The allocation of the amounts recorded in regulatory accounts to entry/exit points.
Reference price	The value of the annual capacity product for each entry and exit point calculated after the application of the cost allocation methodology. Where auctions are used, the reference price is used as the reserve price for the annual capacity product and the basis for setting the reserve prices for capacity products of shorter duration and for interruptible capacity. Where auctions are not used to allocate capacity the reference price is used as the regulated price for the annual capacity product.
Regulated price	The price of capacity products at points where the capacity allocation procedure is not an auction.
Regulatory account	An account aggregating over- and under-recovery of the

⁵ Definitions to be included in the final document.

	allowed revenues on an annual basis over a predefined period.
Regulatory period	The period during which a tariff structure or allowed revenue is valid.
Revenue cap regime	A tariff regime under which the NRA sets the allowed revenues for the service(s) provided by the TSO. The tariffs are defined by the TSO in compliance with the allowed revenues and, in the majority of cases, approved by the NRA.
Revenue recovery	The ex-post recovery of the allowed revenues by TSOs.
Seasonal factor	The factor that is applied to reserve prices in order to facilitate efficient utilisation of the infrastructure in different seasons of the year.
Tariff structure	A tariff structure is the result of a methodology which is used to calculate the price for transmission services at every entry and exit point of an entry-exit zone. In particular, tariff structures address the relation between the tariffs for the different types of services (characterised by elements such as duration, interruptibility, pressure) and overall costs of the TSO.
Transmission tariffs (=transmission charges; network tariffs; network charges)	Transmission tariffs determine what network users have to pay for each transmission system service

1.4. Implementation

The provisions in the Network Code on Tariffs, including those relating to or affecting the tariff levels, shall apply to all contracts at the latest from October 1, 2017.

To prevent or limit undue negative repercussions resulting from individual tariff changes, the NRAs may implement mitigating measures before October 1, 2017. Such measures may be extended beyond October 1, 2017, by a period not exceeding a total of twelve months, in the case of exceptional circumstances that affect the effective or appropriate execution of specific contracts, or to coincide with the commencement of the gas year or tariff setting cycle.

ENTSO-G shall assist the Agency in conducting its monitoring tasks pursuant to Article 9(1) of Regulation (EC) No 715/2009. To that end, all relevant information shall be communicated by ENTSG to the Agency pursuant to Article 8(8) and Article 8(9) of Regulation (EC) No 715/2009, with the timings of communication specified therein. The relevant information shall be determined by the Agency in close cooperation with ENTSG within three months after the entry into force of the Network Code on Tariffs, and subsequently updated when appropriate. The provision of the relevant information is without prejudice to the Agency's right to request from ENTSG other information required by the Agency to fulfil its tasks under Article 9(1) of Regulation (EC) No 715/2009. ENTSG shall maintain a

comprehensive, standardised format, digital data archive of the information required by the Agency⁶.

The relevant information for the Network Code on Tariffs to be communicated by ENTSOG to the Agency shall contain the results of the implementation monitoring with regard to the goal pursued by these Framework Guidelines (set out in section 1.2) in a comparative way, delivering information in particular on, but not limited to:

- direct tariff related aspects, such as percentage changes in tariffs, the amount of over- and under-recovery in each year and the size of regulatory accounts;
- beneficiaries and/or concerned parties of the potential over- and under-recovery;
- number of cross-border tariff-related discrimination complaints;
- the value of multipliers per product, interconnection point, etc. in each year;
- fulfilment of the transparency norms, formulated in the Network Code, in a qualitative and quantitative manner.

The Agency shall share this information with NRAs.

2. Publication requirements

Information shall be published taking into account Article 18(2) of Regulation (EC) No 715/2009 and Article 41(1)(a) of Directive 2009/73/EC, which require both TSOs and NRAs to provide sufficiently detailed information on tariff derivation, methodology and structure. Transparency and a reasonable degree of tariff predictability are key to secure transparent, objective and non-discriminatory tariffs and to stimulate an efficient utilisation of the gas network.

Therefore, for entry and exit points which can be booked, third parties must be enabled to⁷:

- make a reasonable estimation of the reference price from published transmission cost data, including a reasonable estimation of the reference price in the subsequent year(s) within the remainder of the current regulatory period;
- understand all the TSO services rendered and the corresponding transmission tariffs;
- understand how individual transmission tariffs have been derived and why they (do not) differ.

⁶ For the avoidance of doubt, it should be understood that all the information shall be published in a periodically updatable manner, permitting a wider accessibility and use, so as to inform stakeholders on EU tariff evolution. TSOs shall provide ENTSO-G with relevant data. The Agency may agree that some sharable data and information, which resides primarily with NRA's, shall be collected directly by the Agency which will be responsible for the management, transfer, and integration of such data, as well as its provision to the digital data archive referred herein.

⁷ Article 18(2) of the Gas Regulation states that: "In order to ensure transparent [...] tariffs [...], transmission system operators or relevant national authorities shall publish reasonably and sufficiently detailed information on tariff derivation, methodology and structure"; article 41 (1) (a) of Directive 2009/73/EC states that: "The regulatory authority shall have the following duties: (a) fixing or approving, in accordance with transparent criteria, transmission or distribution tariffs or their methodologies;" and point 3.4.6 of Annex I, chapter 3 on transparency of the Gas Regulation requires user-friendly instruments for calculating tariffs. Without prejudice to Article 41 (10) of Directive 2009/73/EC.

In view of these objectives, the Network Code on Tariffs shall ensure that, irrespective of the regulatory regime applied:

i) the methodologies⁸ for determining the reference prices, as well as the cost allocation methodology, shall be consulted publicly before adoption, thus allowing stakeholders and NRAs of adjacent Member States⁹ to provide their opinion, and shall be published in detail in the official language(s) of the Member State and in English either by the TSOs or, where relevant, by the NRAs.

In this respect, the following is a non-exhaustive list¹⁰ of relevant information relating to the achievement of the objectives mentioned in the first paragraph of this chapter, which should be made publicly available in the official language(s) of the Member State and in English by the TSO or, where relevant, by the NRA¹¹:

- Allowed revenue (or an equivalent, in non-revenue cap systems);
- Any (cost) sub-components of allowed revenue related directly to network expansion and charges other than the reference price (e.g. costs for fuel energy relevant to commodity charges, etc);
- Cost-efficiency targets;
- The chosen index of inflation and realised inflation;
- The share of total allowed revenue (or an equivalent, in non-revenue cap systems) recovered from entry points and from exit points, respectively;
- The share of total allowed revenue (or an equivalent, in non-revenue cap systems) recovered from domestic entry and exit points and from cross-border entry and exit points, respectively;
- A comprehensive description of the cost allocation methodology and of the tariff setting methodology (e.g. based on LRMC (Long Run Marginal Cost), average cost, distance to a VTP (Virtual Trading Point), matrix methodology);
- Locational signals;
- Relevant public information on forecasted technical capacity or sale of capacities¹² and (where applicable) load flow commitments;
- Inputs for the cost allocation methodology applied, including:
 - expected revenues;
 - booked capacity and forecast subscriptions and/or technical capacities;
 - cost drivers;

⁸ For the avoidance of doubt, it should be understood that such methodologies also include multipliers and seasonal factors, as specified in Chapter 4, Reserve prices.

⁹ If TSO designs methodology, NRA could e.g. assist in contact with neighbouring NRAs.

¹⁰ For avoidance of doubt, this information may need to include e.g. information relevant to performing the cost allocation test, as defined in chapter 2.

¹¹ **List subject to change in the final document.**

¹² We note that nationally 3 different methods are currently at use to arrive at such assumptions, such as bookings, technical or flow estimates. The choice which method to use is left to NRAs and TSOs.

- the exclusion of revenues related to certain dedicated services and/or certain dedicated pieces of infrastructure where applicable, and
- the alignment of tariffs for entry and/or domestic exit points on a sub-geographical area within an entry-exit system, where applicable.
- Rules and amounts on the reconciliation of the regulatory account, including treatment of auction revenues;
- Information on reserve prices, such as level and underlying reasons of multipliers and seasonality factors, and formulas to calculate discounts/reserve prices for interruptible products.

The Network Code on Tariffs shall specify that the information for multiple TSOs in one entry-exit zone can be published on an entry-exit zone level.

The Network Code on Tariffs shall develop a standardised format for publishing the information specified above (e.g. by integrating it into the EU-wide ENTSO-G Transparency platform).

ii) Without prejudice to article 41(10) of Directive 2009/73/EC, the Network Code on Tariffs shall set a minimum notice period of at least [...] ¹³ days (*and at least 60 days advance notice that major changes are expected*) for NRA decisions or TSO communication on changes of the reference prices, subject to regulatory approval, before tariffs enter into force.

At interconnection points, if capacity is offered above the existing technical capacity and investment is to be validated financially according to the level of bookings, the tariff shall be made transparent to the bidders, including its inputs and potential future changes ¹⁴. Such inputs may include TSO investments costs and assumptions about future capacity bookings and/or technical capacity and other parameters used for the economic test calculations (e.g. net present value) and any other information deemed relevant by NRA regarding the way the investment decision shall be published (while preserving the confidentiality of commercially sensitive information).

3. Cost allocation and determination of the reference price ¹⁵

4. Revenue recovery

4.1 Regulatory account

The specific objectives of the Revenue recovery chapter, in addition to the general objectives which apply to the full FG, are to ensure the recovery of efficiently-incurred costs by TSOs, to promote financial stability for efficient TSOs, and to promote tariff stability for network users. Therefore, the Network Code on Tariffs shall specify that the determination of the reference

¹³ **Will be defined in the final document**

¹⁴ The aim is to allow bidders for incremental capacity to estimate the tariffs they will pay, once the network expansion is validated and they would get the capacity.

¹⁵ **Chapter under redrafting following the European Commission's request to extended the scope of the document.**

prices shall seek to minimise any gaps between the revenues which the TSO is entitled to obtain on the basis of the applied regulatory regime and the revenues actually obtained by the TSO.

A regulatory account shall record the difference between the revenues which the TSO is entitled to obtain on the basis of the applied regulatory regime and the revenues actually obtained by the TSO during the same period of time. The Network Code on Tariffs shall specify that each TSO has a single regulatory account.

The Network Code on Tariffs shall specify that NRAs determine or approve, and justify ex-ante at a national level, which fraction of the under- or over-recovery will be logged on to the regulatory account (and therefore paid by, or returned to, network users), and which part should be met by the TSO(s) in line with incentive efficiency targets. The Network Code on Tariffs shall specify that NRAs may decide to use any over-recovery resulting from auction premia to reduce congestion.

Under a price cap regime, where the terms allowed revenue, under and over-recoveries do not apply, only auction premia, where earned, shall be logged on to the regulatory account or shall be used to reduce congestion.

4.2 Reconciliation of regulatory account

The network code shall specify that NRAs determine or approve how often and how fast the regulatory account has to be reconciled, with a view to allowing for timely cost recovery and avoiding sharp adjustments of network tariffs.

Any revenue under-recovery to be recovered by the TSO and/or revenue over-recovery to be redistributed back to network users, is allocated subsequently to every entry or exit point in accordance with the chosen cost allocation methodology.

The Network Code on Tariffs shall specify that the reconciliation of the regulatory account shall lead to an adjustment of the reference prices. The reserve price applicable to capacity allocated in a previous auction has to be adjusted accordingly at the time when the capacity can be used. In this way, all entry and exit points will contribute to the reconciliation through an adjustment of the reference price (in order to avoid a situation whereby the adjustment of the reserve price or the regulated price at only one or a few entry or exit points where under- or over-recovery occurred exacerbates the problem).

On entry and exit points not under the scope of the network code on CAM, the Network Code on Tariffs shall set out that NRAs may decide to use alternative methodologies to reconcile the regulatory account and recover allowed revenues, while respecting the principle of avoiding cross subsidies between cross-border and domestic flows. Where a flow based charge is used to collect revenues to cover costs that are driven mainly by the volume of flows (such as fuel costs), NRAs may decide that under- or over-recovery of such flow-based costs are recovered through an ex-post adjustment of the flow-based charge.

5. Reserve price

This section applies to all entry and exit points under the scope of the Network Code on CAM.

Before adopting their decision regarding the application of multipliers, NRAs shall consult with NRAs of adjacent Member States and relevant stakeholders. In adopting their decision, NRAs shall take account of the adjacent NRAs' opinions.

The Network Code shall include mathematical formulations where relevant for the underlying provisions.

5.1 Reserve prices for firm standard capacity products

5.1.1 Quarterly and monthly firm standard capacity products

The Network Code on Tariffs shall set out that the reserve prices for quarterly and monthly firm standard capacity products shall be set proportionate to the yearly reference price on average¹⁶ over the gas year¹⁷. This implies that, on average over the gas year, the monthly and quarterly reserve prices are equal to the product of the annual reserve price and the ratio of their duration (in days) divided by 365¹⁸. The Network Code on Tariffs shall set out that, in determining the reserve prices for quarterly and monthly firm standard capacity products, NRAs may also apply multipliers and that these multipliers may be higher than one, but not higher than 1.5 on average over the gas year at the respective entry or exit point. NRAs can only decide to apply multipliers higher than one but not higher than 1.5 at the respective entry and exit points in the absence of congestion. The Network Code on Tariffs shall set out that NRAs may decide to allow for multipliers lower than one, but not lower than 0.5 on average over the gas year at the respective entry or exit point in the event of congestion. Congestion shall be defined as in point 2.2.3.1 of Annex I to Regulation (EC) No 715/2009¹⁹. When the NRA decides to allow multipliers, the NRA shall take into account whether the TSO has offered additional capacity, that has been paid by incentives as defined by Section 2.2. of Annex I to Regulation (EC) No 715/2009.

5.1.2 Daily and within-day firm standard capacity products

The Network Code on Tariffs shall set out that the reserve prices for daily and within-day firm standard capacity products be on average²⁰ over the gas year less than or equal to the price set proportionately to the yearly reference price. The Network Code on Tariffs shall set out that, in determining the reserve prices for daily and within-day firm standard capacity products, NRAs may also apply multipliers and that these multipliers may be higher than one, but not higher than 1.5 on average over the gas year at the respective entry or exit point in the absence of congestion. Congestion shall be defined as in point 2.2.3.1 of Annex I to Regulation (EC) No 715/2009. When the NRA decides to allow multipliers, the NRA shall take into account whether the TSO has offered additional capacity, that has been paid by incentives as defined by Section 2.2 of Annex I to Regulation (EC) No 715/2009.

5.1.3 Seasonal factors

Seasonal factors shall only apply if they improve the gas transmission system's efficient use and cost-reflectivity of reserve prices. When seasonal factors are applied in addition to

¹⁶ i.e. 'arithmetic mean' of the reserve prices of the 4 quarters or 12 months within a gas year at a given interconnection point

¹⁷ $P_{st} = m * (p_y/365) * d$ (where: P_{st} is price of short-term product, m is multiplier, p_y is price of yearly product, d is duration of short-term product in days)

¹⁸ For leap years, it may be considered to divide by 366.

¹⁹ Commission decision of 24 August 2012 on amending Annex I to Regulation (EC) No 715/2009

²⁰ i.e. 'arithmetic mean' of the reserve prices of the 365 days (or 8760 hours multiplied with the remaining hours of the gas day) within a gas year at a given interconnection point

multipliers, the combination of multipliers and seasonal factors for any standard capacity product with a duration of less than one year may for some seasons be higher than 1.5 or lower than 0.5. However, the arithmetic mean of the products of multipliers and seasonal factors shall over the gas year not be lower than 0.5 and shall not exceed 1.5.

The Network Code on Tariffs shall develop a methodology for determining seasonal factors.

5.2 Reserve prices for interruptible capacity

The Network Code on Tariffs shall set out that reserve prices for interruptible capacity be set at a discount to the reserve price of the firm standard capacity product with equivalent duration.

The Network Code on Tariffs shall set out a methodology for determining reserve prices for interruptible capacity.

The methodology shall meet the following criteria:

- At interconnection points where firm capacity is offered in both directions, the discount(s) for interruptible capacity shall adequately reflect the risk (likelihood and duration) of interruptions, so that if the risk is low, the discount shall also be low. TSOs shall publish their assessment of the risks of interruption. The discount is to be recalculated at least once a year.
- At unidirectional interconnection points where TSOs offer firm capacity only in one direction and capacity is offered in the other direction on an interruptible basis (non-physical backhaul capacity), the methodology for determining the reserve price shall be set to reflect the actual marginal (additional) costs that the TSO incurs to provide this service and shall not be below zero.

6. Virtual interconnection points

This section applies to all entry and exit points under the scope of the Network Code on CAM.

According to the Network Code on CAM (Article 5.1(10)), where two or more entry or exit points connect the same two adjacent entry-exit systems, the TSOs shall offer the available capacity at one virtual interconnection point. The reserve price for virtual interconnection points shall be established based on the combination of the reserve prices set for the individual entry or exit points. The combination mechanism shall be elaborated in the Network Code on Tariffs consistently with the fulfilment of the overall objectives of these Framework Guidelines, and especially avoiding that the establishment of a virtual interconnection point creates barriers to cross-border trade.

The Network Code on Tariffs shall include mathematical formulations for the reserve price for virtual interconnection points.

7. Bundled capacity products

This section applies to all entry and exit points under the scope of the Network Code on CAM.

The Network Code on Tariffs shall specify that, for bundled capacity products at entry or exit points, the sum of the reserve prices for capacity at entry and exit points (i.e. on both sides of the interconnection point to be bundled) is used as the bundled reserve price for the purpose of capacity auctioning.

The Network Code on Tariffs shall specify that the revenues from the reserve price of bundled capacity products be distributed among the TSOs in proportion to the reserve prices of their capacities in the total bundled capacity. The revenue stemming from the auction premium for bundled capacity, i.e. the revenue that exceeds what would have been obtained based on the bundled reserve price, shall be split between the relevant TSOs on the basis of an agreement between the respective NRAs. NRAs shall immediately inform ACER of the outcome of such an agreement. If no such agreement is concluded ahead of the auction, the Network Code on Tariffs shall specify that any revenues from the auction premium be split equally between the relevant TSOs.

8. Payable price

This section applies to all entry and exit points under the scope of the Network Code on CAM. The Network Code on Tariffs shall set out that the payable price determined in a capacity auction shall be a floating price, which consists of the applicable reference price at the time when the capacity can be used plus the auction premium.

The Network Code on Tariff shall include mathematical formulations for the payable price.

The approach to setting the payable price set out above shall also apply for incremental capacity. In case of release of incremental capacity at a point, NRAs may decide to use an alternative approach to setting the payable price for that point. Such an alternative approach shall be transparent, non-discriminatory and in line with the Internal Energy Market network code development processes.