

## **Elering AS**

### **Methodology for calculating the connection fee to the natural gas transmission network and the fee for changing consumption and production conditions**

Pursuant to § 20 (3) of the Natural Gas Act (hereinafter: NGA), the network operator shall calculate the connection fee on the basis of the methodology for calculating the connection fee. According to § 20 (31) of the NGA, the network operator must coordinate the methodology for calculating the connection fee (hereinafter: the methodology) with the Competition Authority.

The methodology uses the terms as defined in legal acts and in the “Terms and Conditions for Connection to the Natural Gas Transmission Network of Elering AS” (hereinafter: the connection conditions), unless otherwise provided in the methodology.

#### **1. General provisions**

- 1.1 In accordance with § 20 (1) of the NGA, the network operator is entitled to charge a justified connection fee to the person requesting connection to the network. Pursuant to § 20 (5) of the NGA, the network operator may also charge a justified fee for changes to the technical conditions of gas consumption when such changes are initiated by the consumer or by another gas undertaking.
- 1.2 This methodology has been developed for calculating the connection fee charged by Elering AS (hereinafter: the network operator) for consumption-based or production-based connection to the gas transmission network within its area of operation, as well as for calculating the fee for changing the technical conditions of gas consumption (hereinafter jointly: the connection fee).
  - 1.2.1 The connection fee charged for connecting to the transmission network, or the fee charged for changing consumption or production conditions, consists of the following components:
  - 1.2.2 the cost of constructing the gas installation designed and built to ensure connection capacity (hereinafter: the cost of construction works and related works);
  - 1.2.3 the cost of preparing, issuing, and organizing the signing of the connection offer based on the connection application (hereinafter: the processing fee);
  - 1.2.4 the cost of organizing the activities following the conclusion of the connection agreement (hereinafter: the handling fee).
- 1.3 The connection fee shall not include investments that the network operator would make for the development of the network even if no new consumers were to connect to the network. Such costs shall be financed by the network operator.
- 1.4 In constructing a new connection, the optimal network configuration, good engineering practice, and the most efficient solution for market participants shall be followed.
- 1.5 The costs of investments planned for the connection shall be based on market prices.
- 1.6 The connection fee shall include all necessary and justified costs for connecting new consumption or production capacity or for changing existing consumption or production

conditions, including the costs of constructing new gas installations and reconstructing existing gas installations, and the costs incurred to meet environmental, quality, and safety requirements.

1.7 The cost of the components of the connection fee is determined as follows:

1.7.1 the cost of construction works and related works includes the necessary and justified costs for connecting consumption or production capacity or for changing existing consumption or production conditions, including the following direct costs related to the construction of new gas installations and the reconstruction of existing gas installations, the fulfilment of environmental, quality, and safety requirements, as well as costs based on average expenses, which include, among other things:

1.7.1.1 costs related to studies and approvals (including the preparation and approval of plans) and obtaining a building permit and/or design conditions;

1.7.1.2 preparation of the technical solution documentation for the connection;

1.7.1.3 costs related to acquiring the use of the gas distribution station area, the connection pipeline route and/or gas pipeline, including the costs of formalizing land use rights (notary fee, state fee, land purchase price in the case of acquisition, etc.), costs of tree felling and removal during preparation of the route/area, etc.;

1.7.1.4 costs of gas equipment and materials, and costs of construction, installation, and adjustment;

1.7.1.5 the cost of project documentation (procurement documentation, construction project, working project, as-built drawings, operating documents, etc.) and the costs of their preparation;

1.7.1.6 costs related to conducting the procurement and the cost of carrying it out;

1.7.1.7 necessary reconstructions related to the connection in the network operator's gas installations;

1.7.1.8 other justified direct costs related to a specific connection (including costs related to soil surveys, owner supervision, compliance inspections, etc.).

1.7.2 the processing fee includes the costs calculated on the basis of average expenses for receiving, reviewing, verifying, and specifying the data of the connection application, consulting the applicant, performing the calculations and preparing the schemes necessary for issuing the connection offer, preparing the connection fee calculation, and preparing, issuing, and signing the connection agreement;

1.6.3 the handling fee includes the network operator's costs calculated on the basis of average expenses for consulting applicants, reviewing the applicant's technical project, opening the initial gas flow of the applicant's gas installation, ensuring proper connection to the network, including connecting the customer's gas installation to the system operator's pipeline, preparing, issuing, and signing the network agreement, and carrying out other necessary actions. In the case of a production-based connection, the handling fee additionally includes the costs of inspecting the applicant's gas metering system and gas production facilities, participating in testing and calibration activities, and testing the data volume and control device functionalities of the gas installation.

1.8 The connection fee shall be paid as follows:

1.8.1 the cost of construction works and related works shall be paid to the network operator in accordance with the provisions set out in the connection conditions;

1.6.1 the processing fee shall be paid upon submission of the connection application, and its amount depends on the type of application submitted. The network operator distinguishes between two types of applications:

1.6.1.1 connection with consumption-based capacity;

1.6.1.2 connection with production-based capacity.

1.6.2 the handling fee shall be paid together with the second and third instalments of the connection fee, according to the scope of activities carried out by the network operator at different stages of the connection process. The amount of the handling fee is differentiated based on the volume of activities related to the construction of the connection and is divided into two types:

1.6.2.1 connection with consumption-based capacity;

1.6.2.2 connection with production-based capacity.

## **2 Principles for simultaneous connections and/or fulfilment of the network operator's development obligation**

2.1 If, in connection with the connection, the network operator, on its own initiative, changes the throughput capacity of gas installations or the technical parameters of equipment in order to fulfil its development obligation or to connect other applicants, thereby exceeding the parameters selected by the applicant, the resulting increase in cost shall not be included in the connection fee payable by the applicant.

2.2 If, in the case of the simultaneous connection of two or more applicants, the connection fee calculations of all applicants include network reinforcement costs, those network reinforcement costs shall be divided among the applicants proportionally, in accordance with the procedure and conditions set out in this section.

2.2.1 Network reinforcement costs refer to the expenses related to gas pipelines that are necessary for transporting the amount of gas requested by the applicant to the connection point or from the connection point to the existing transmission network, or for increasing its throughput capacity, but are not related to the construction of a gas distribution station. When performing the network calculations required to determine the amount of network reinforcement costs, those connection applications submitted for connection to the transmission network that were submitted no later than the applicant's own connection application shall be taken into account.

2.2.2 A simultaneous connection is understood as a situation where, upon submission of a connection agreement offer, it becomes evident that the applicant's connection requires the use of network reinforcements that are already being built or planned as part of other applicants' ongoing connection processes. For the purposes of this subsection, an ongoing connection process shall be deemed to exist until all of the following conditions have been met:

2.2.2.1 The gas pipeline that is the subject of the network reinforcement cost has been completed, and the gas flow has been opened;

2.2.2.2 The previous applicant has paid the third instalment of the connection fee.

2.2.3 The proportional division and payment of network reinforcement costs shall be carried out according to the following principles:

2.2.3.1 Each simultaneously connecting applicant shall pay a share of the network reinforcement costs corresponding to the ratio of its contracted production or consumption capacity to the total capacity specified in the connection agreements of all applicants connecting simultaneously;

- 2.2.3.2 All simultaneously connecting applicants must pay 100% of the costs for the shared network reinforcements. The network reinforcement costs shall be reconciled after each instalment has been fully paid by all applicants and shall be refunded to the applicants in proportion to the ratios specified in the previous subsection;
  - 2.2.3.3 If one of the simultaneously connecting applicants fails to pay the connection fee without a justified reason, the unpaid portion of the network reinforcement costs shall be proportionally added to the connection fees of the other simultaneously connecting applicants, in proportion to the share of network reinforcement costs borne by those applicants.
  - 2.2.3.4 If, by the time the invoice for the next applicant's instalment is issued, the first of the simultaneously connecting applicants has already paid 100% of the network reinforcement costs, the next applicant shall pay only the portion specified in clause 2.2.3.1.
  - 2.2.4 The composition, volume, and proportional calculation of network reinforcement costs shall be decided by the network operator, and the latter's decision shall be binding on the applicant. At the applicant's request, the network operator shall provide the applicant with the decision together with written justifications.
- 2.3 The network operator shall verify the scope of works included in the calculation of the connection agreement offer and the amount of the connection fee either before:
- 2.3.1 before announcing the first procurement for the construction or design of the network reinforcements and/or connection point(s);
- or
- 2.3.2 before preparing the invoice for the second instalment of the connection fee.
- 2.4 If the network operator finds that the calculation of the connection fee has changed significantly, the network operator shall make a proposal to the applicant to amend the connection agreement.