**The Methodology on the determination of the regulated revenue and of the corrected regulated revenue**

The methodology for the determination of the regulated revenue uses the authorised revenue.

The methodology regulates how the regulated revenue and the corrected regulated revenue are substantiated and determined.

Regulated revenue is the revenue for one year of the regulatory period, allowed by ANRE for a transmission operator to cover the costs justified as necessary to carry out the natural gas transmission activity.

Regulated revenue is calculated for the first year of the regulatory period and is adjusted/corrected during the subsequent years based on formulas specific to the natural gas transmission activity.

The regulatory period is the period of time during which ANRE determines the regulated revenue and the adjusted regulated revenue that a licensee is entitled to earn for the natural gas transmission activity at the level of allowed cost coverage for each year of the regulatory period.

As a rule, the regulatory period lasts 5 years.

The current regulatory period started on 1 October 2019.

As an exception to the rule, the gas year 2024/2025 was considered a transition year, so the next regulatory period, for which the natural gas transmission tariffs will be determined in accordance with the MPR proposed in this consultation document, will start on October 1, 2025.

**The regulated revenue**

The regulated revenue which is the revenue recognised and allowed by ANRE for a licensee to cover the costs justified as necessary to carry out the natural gas transmission activity in a year of the regulatory period is determined for each year of the regulatory period.

The regulated revenue (VR) includes the licensee's operating costs (OPEX), capital costs (CAPEX) and pass through costs (CPD) and has the following general formula:

VR = OPEX + CAPEX+ CPD

where:

OPEX - the licensee's operating costs recognised by ANRE for one year of the regulatory period;

CPD- pass through costs recognised by ANRE for one year of the regulatory period;

CAPEX - capital costs and the return thereof that is recovered through the regulatory revenue allowed in a year of the period.

**Operating costs (OPEX)**

Operating costs are operating expenses, deductible for tax purposes within the limits of the applicable legal provisions, the level and appropriateness of which can be controlled by management decisions or on which the operator can act directly to increase the efficiency of the activity relating to the provision of the natural gas transmission service.

The general formula for the calculation of OPEX for each year of the regulatory period is as follows:

OPEX(i) = OPEXP(i) + OPEXL(i) + CT(i) + CPERS(i)

where:

OPEX(i) – permanent controllable operational costs allowed in year (i);

OPEXL(i) - controllable operational costs which are not incurred annually, but are forecast to be incurred within a regulatory period, linearized, allowed in year (i);

CT(i) - technology consumption costs allowed in year (i);

CPERS(i) – costs of personnel estimated in real terms of year (i-1);

Permanent controllable operational costs - OPEXP

For the first year of the regulatory period, the amount of OPEXP(i), based on the real terms of this year, may not exceed the average annual expenditure incurred in the previous regulatory period, discounted to the real terms of this year.

Starting with the second year of the regulatory period, the OPEXP adjustment allowed in year (i) shall be determined according to the following formula:

OPEXP(i) = [OPEXP(i-1) /(1+RIe(i-1)) x (1+ RIr(i-1)) + CNPOPEXP(i)] x (1+RIe(i)-X)

where:

OPEXP(i-1) – permanent controllable operational costs allowed in year (i-1);

RIe(i-1) – inflation rate estimated for year (i-1);

RIr(i-1) – inflation rate achieved achieved in year (i-1);

RIe(i) – inflation rate estimated for year (i);

X – annual rate of economic efficiency increase related to OPEX, established for the TSO for the performance of the gas transmission activity;

CNPOPEXP(i) – – unforeseen permanent OPEX recognized by ANRE and included in OPEXP starting with year (i);

Linearized controllable operational costs - OPEXL

For the first year of the regulatory period, the determination of the value of the OPEXL shall be made by summing the values based on the actual values for each year of the regulatory period in real terms for the first year of the regulatory period and dividing the total value by the duration of the regulatory period.

The adjustment to the OPEXL allowed in year (i) shall be determined according to the following formula:

OPEXL(i) = OPEXL(i-1) /(1+RIe(i-1)) x (1+RIr(i-1)) x (1+RIe(i)–X)

where:

OPEXL(i) – linearized controllable operational costs allowed in year (i) of the regulatory period;

OPEXL(i-1) – linearized controllable operational costs allowed in year (i-1) of the regulatory period;

RIe(i-1) – inflation rate estimated for year (i-1);

RIr(i-1) – inflation rate achieved achieved in year (i-1);

RIe(i) – estimated inflation rate for year (i);X – annual rate of economic efficiency increase related to OPEX, established for the TSO for the performance of the gas transmission activity;

Technological consumption costs – CT

For each year of the regulatory period, the estimated CT expenditure shall be determined as the product between a quantity of CT and a cost related to this quantity.

The quantity of natural gas, representing the forecasted CT taken into account in the calculation of the regulated revenue, is the annual quantity of natural gas of year i in the CT reduction plan for the fifth regulatory period, proposed by the operator and accepted by ANRE.

The quantity of natural gas, representing the CT forecast for the first year of the regulatory period, shall not exceed the annual quantity of CT realized in the last calendar year preceding the regulatory period.

For each year of the regulatory period, the TSO shall propose an estimated and justified cost to determine the expenditure related to the forecast CT.

Cost of personnel – CPERS

For the first year of the regulatory period, the amount of personnel costs substantiated by the TSO, in real terms of this year, may not exceed the amount realized, reported in the ECR and accepted by ANRE of the last reported year of the previous regulatory period, updated in real terms of the first year of the regulatory period and indexed with the real earnings from salary or wage growth index published by the National Commission for Strategy and Prognosis for that year.

Starting from the second year of the regulatory period, the adjustment of personnel costs allowed in year (i) shall be determined according to the formula:

CPERS(i) = [CPERS (i-1) + CNP CPERS(i)] x (1+RIe(i)) x RCS(i)

where;

CPERS(i-1) – personnel costs at the level recognized for year (i-1);

RIe(i) – estimated inflation rate for year (i);

RCS(i) - the real growth rate of salary gain;

CNPCPERS(i) – permanent unforseen CPERS recognized by ANRE and included in OPEX as of year (i);

The TSO may request the recognition of permanent unforeseen CPERS in the year following the submission to ANRE of the ECR for the regulatory year in which these costs were incurred, only if these costs were not covered by the allowed level.

**Capital expenditure (CAPEX)**

Capital expenditure (CAPEX) related to the natural gas transmission activity includes costs related to capital invested in tangible and intangible fixed assets commissioned or taken over/put into use, in accordance with the applicable legal provisions, and are determined according to the following formula:

CAPEX = RRR \* RAB + SI x VRINV + ARBAR

where:
RRR - regulated rate of return on capital costs, set by ANRE for the natural gas transmission activity;

RAB - regulated asset base, representing the regulated value of tangible and intangible assets, recognised by

SI – incentive exceeding the regulated rate of return on the invested capital;

VRINV(i) – the remaining regulated value of the tangible and intangible assets commissioned or accepted/delivered to be used, recognized by ANRE for which an incentive exceeding the regulated rate of return on the invested capital is granted;

ARRAB - regulated depreciation of tangible and intangible assets recognised by ANRE in the regulated asset base for the natural gas transmission activity;

RAB value as of the first year of the fifth regulatory period is determined as follows:

a) at the beginning of each regulatory year the estimated RAB value shall be calculated by the formula:

RAB1oct(i) = RAB30sept(i-1) x (1+RIRRR(i))

where:

RAB1oct(i) – the RAB value at the beginning of year (i) of the regulatory period, including the value of the tangible and intangible assets estimated to be commissioned or accepted/put in operation as well as the asset output estimated value, by the end of year (i-1) recognized by ANRE for the gas transmission activity;

RAB30sept(i-1) – the value of the tangible and intangible assets included in the RAB at the end of the year (i-1) of the regulatory period, including of the ones estimated to be commissioned or accepted/put in operation by the end of the year (i-1) allowed by ANRE for the gas transmission activity;

RIRRR(i) – inflation rate for regulatory year (i), taken into account for the determination of the approved RRR for the fifth regulatory period;

b) for the end of each regulatory year, the RAB achieved value is calculated by the formula:

RAB30sept(i) = RAB 30sept(i-1) x (1+RIRRR(i)) – AR(i) + INVIr(i) – INVEr(i)

where:

RAB30sept(i) – the value of the tangible and intangible assets included in the RAB at the end of the year (i) of the regulatory period, including of the ones estimated to be commissioned or accepted/put in operation by the end of the year (i-1) recognized by ANRE for the gas transmission activity;

RAB30sept(i-1) – the value of the tangible and intangible assets included in the RAB at the end of the year (i-1) of the regulatory period, recognized by ANRE for the gas transmission activity;

RIRRR(i) – inflation rate for regulatory year (i), taken into account for the determination of the approved RRR for the fifth regulatory period;

AR(i) – RA related to RAB30sept(i-1) and recognized by ANRE in year (i) of the regulatory period;

INVIr(i) – the regulated value recognized by ANRE for the year (i) of the tangible and intangible assets commissioned and accepted/put in operation, including, as appropriate, the value of the tangible and intangible assets estimated to be commissioned or accepted / put in operation by the end of the year (i);

INVEr(i) – the remained undepreciated regulatory value of the tangible and intangible assets outcoming from RAB during the year, including of the ones estimated to be commissioned or accepted / put in operation by the end of the year (i);

**Pass-through costs (PTC)**

The Pass-through costs are operating costs, fiscally deductible within the limit of the applicable legal provisions, related to the gas transmission activity which are beyond the control of the TSO’s management and which cannot be directly acted upon by the latter so as to increase the efficiency of the gas transmission activity, recognized by ANRE during a year of the regulatory period, as follows:

a) royalties for the concession of assets part of the state public property, royalties stipulated in the contract on the concession of gas transmission services and/or of the related assets included in the public property of the state or of a territorial administrative unit, rents stipulated in the leases of assets constituting the TS, which are in the public ownership of the State or of an administrative-territorial unit, as well as the local tax established by authorities in relation with the performance of the transmission services.

b) tax, fees and similar established according to the applicable laws;

c) tax and fees - established according to the applicable laws - stipulated in the contracts for the lease of TS objectives, generated by the right to use the leased tangible and intangible assets;

d) contributions related to the salary fund recognized by ANRE as well as contributions to special funds payable by the TSO according tp the applicable legal provisions;

e) contributions related to the value recognized by ANRE of the mandate contract of the persons in management positions and members of the boards of administration / supervisory boards / directorates and other management councils;

f) other costs beyond the control of the TSO, recognized by ANRE;

g) the rent related to the contract on the lease of the TSO’s facilities; it will be recognized, no less than at the level of the accounting depreciation;

h) the TSO’s uncollected amounts related to the gas transmission activity representing trade receivables – which could not be recovered because of the client’s bankruptcy, based on a final court decision – receivables arising from the TSO’s obligation to interrupt the provision of services to a client undergoing an insolvency proceedings, during the observation and the reorganization periods respectively, according to the applicable legal provisions.

**Determination of corrected regulatory revenue**

For each year of the regulatory period, the adjusted regulatory revenue shall be determined by the following formula:

VRC(i) = VR(i)+(Delta)VRC(i-1) x (1+RIe(i)) +(Delta)CPD(i-1) x (1+ RIe(i)) + (Delta)CT(i-1) x (1+RIe(i)) +

 (Delta)CAPEX(i-2) x (1+RIRRR(i)) + (Delta)RIVRC(i-1) x (1+RIe(i)) + CN(i-1) x (1+RIe(i)) + RSE(i) +

 SR(i) + (Delta)CPERS(i-1) x (1+RIe(i)) - AVT (i-1) x (1+RIe(i))

where:

VRC(i) – the corrected regulatory revenue allowed by ANRE in year (i);

VR(i) – the regulatory revenue allowed by ANRE in year (i);

 (Delta)VRC(i-1) – the correction component related to the corrected regulatory revenue for year (i-1), in the first year of the fifth regulatory period, the value of this correction component is equal with zero;

RIe(i) – inflation rate estimated for year (i),

(Delta)CPD(i-1) – the correction component of the pass-through costs for year (i-1);

(Delta)CT(i-1) – the correction component related to the technological consumption for year (i-1)’

(Delta)CAPEX(i-2) – the correction component related to CAPEX for year (i-2);

RIRRR(i) – inflation rate for regulatory year (i), taken into account for the determination of the approved RRR for the fifth regulatory period

(Delta)RIVRC(i-1) – the correction component related to the value of the corrected regulatory revenue due to the difference between the estimated inflation rate for year (i-1) and the inflation rate achieved for year (i-1);

CN(i-1) – the correction component representing the unforeseen operational costs of non-permanent nature for the year (i-1);

RSE(i) – the component for the re-distristribution of the economic efficiency increase achieved during the previous regulatory period and included in the corrected regulatory revenue for the year (i);

SR(i) – the component for the correction of other amounts to be regulated of the previous regulatory periods included in the corrected regulated revenue for year (i);

(Delta)CPERS(i-1) – the component for the correction of personnel costs for the year (i-1);

AVT(i-1) – the correction component relating to other revenue assimilated to transmission activity realized in year (i-1).

**Adjustment elements of regulated revenue and total revenue**

**Inflation rate (IR)**

The inflation rate for one year of the regulatory period is determined based on the consumption price indices.

The inflation rate estimated for one year of the regulatory period shall be determined based on the consumption price indices estimated by the National Forecast Commission pro-rata with the number of months of the calendar years comprised in the regulatory year for which the regulated revenue is established.

The inflation rate for one year of the regulatory period shall be determined based on the consumption price indices published on the website of the National Institute for Statistics and on the ones estimated by the National Commission for Prognosis in relation with the regulatory year for which the regulated revenue is established. The use of the two categories of indices upon the determination of the inflation rate is based on the availability of the data upon the establishment of the regulated revenue.

By exception, the estimated and realized inflation rate for CAPEX costs shall be deemed to be the inflation rate used by ANRE in the calculation of the RRR approved for the fifth regulatory period.

**Annual rate of increase in the efficiency of natural gas transmission activity (X)**

The annual rate of increase in the efficiency of the gas transmission activity reflects the potential OPEX savings, excluding technology consumption costs and personnel costs, that can be realised in one year of the regulatory period by the operator to improve economic performance.

The annual rate of efficiency gains of the natural gas transmission business ensures an economic efficiency trade-off in favour of customers.

**Contingency costs (CC)**

Unforeseen costs are operational costs that were not estimated when the regulated revenue for the first year of the regulatory period was based and are caused by unforeseeable factors such as force majeure, fortuitous events or the issuing of regulatory acts.

**Regulated rate of return on capital (RRR)**

The regulated rate of return on capital (RRR) is determined for a regulatory period and reflects ANRE's estimate of the return to be generated by the capital costs incurred by the licensee in carrying out natural gas transmission activities, taking into account current capital market conditions.

**Corrected regulatory revenue correction component - (Delta)VRC**

(Delta)VRC is the difference between the adjusted regulatory income earned in previous years and the annual adjusted regulatory income allowed in the same previous years.

**Efficiency increase redistribution component – RSE**

RSE is the amount allocated annually to the adjusted regulated revenue for the transfer to customers of the economic efficiency increase of the natural gas transmission activity calculated for the previous regulatory period.

 The economic efficiency increase is calculated as the positive difference between the OPEX level allowed by ANRE in one year of the regulatory period and the OPEX level achieved by the TSO during the same year.

The annual economic efficiency gain related to a regulatory period are cummulated at the end of the regulatory period and are surrendered to the clients on a staggered basis, throughout the following regulatory period.

The annual economic efficiency gain is surrendered in the amount discounted by the achieved inflation rate.

As of the fifth regulatory period, 5% of the efficiency gain achieved by the TSO will be surrendered 60% to gas consumers and 40% will be kept by the TSO.

The difference of 95% of the efficiency gain realized by the TSO is fully allocated to gas consumers.

The efficiency gain achieved in the fourth regulatory period are surrendered on a staggered basis, aver the entire duration of the fifth regulatory period, 60% to gas consumers and 40% will be kept by the TSO.

**Staff cost correction component - (Delta)CPERS**

((Delta)CPERS is calculated as a difference between the amount achieved and accepted by ANRE and the allowed amount of the personnel related to the year for which the correction is calculated.

The achieved amount of the personnel expenses is analysed and set by ANRE in line with the provisions of this Methodology.

If the amount achieved and accepted by ANRE is higher than the allowed amount, (Delta)CPERS is equal to zero.

**Correction component relating to outstanding amounts to be regularised from previous regulatory periods - SR**

SR includes all amounts remaining to be regularised from previous regulatory periods, of a cost/revenue nature realised and recognised as recoverable/receivable, discounted to the year in which they are to be included in the VRC.

**Correction component for CPD ((Delta)CPD)**

(Delta) CPD represents the difference between the pass-through costs deemed to have been incurred in the previous year and those included in the regulated revenue during the same year.

**Correction components for CAPEX ((Delta)CAPEX**

The correction component for capital costs shall be determined as follows:

(Delta)CAPEX(i-2) = CAPEXachieved(i-2) – CAPEXforcast(i-2)

where:

(Delta)CAPEX(i-2) – the correction component for the capital expense of year (i-2) of the regulatory period;

CAPEXachieved(i-2) – the capital expense achieved in year (i-2) of the regulatory period;

CAPEXforecast(i-2) – the forecast capital expense, included in the calculation of the regulated revenue in year (i-2) of the regulatory period;

RRR – regulated rate of return on invested capital.

The correction component for the capital expense shall be applied starting from the third year of the regulatory period.

**Correction component related to other realized income - AVT**

The correction component related to other income realized by the TSO in the previous year reflects the income realized in year (i-1), from:

a) the rental of tangible fixed assets in the form of buildings, used as headquarters and working points for the natural gas transmission activity forming part of the RAB, which shall be at least equal to the sum of depreciation costs, profitability and controllable and non-controllable operating costs related to those assets;

b) revenues realized from the activity of connecting third parties to the transmission system and from activities ancillary to transmission system operation, less the allowed profit rate, and revenues from other operating activities;

c) proceeds from the recovery of decommissioned assets that were part of the RAB, materials resulting from dismantling, less the remaining regulated value and costs related to their decommissioning, dismantling and recovery.

**Inflation adjustment component – (Delta)RI\_VRC**

(Delta)RI\_VRC reflects the difference in VRC due to the difference between the estimated inflation rate used in the calculation of regulated revenues and the realized or accepted inflation rate in the respective year.

(Delta)RI\_VRC shall be determined by recalculating the elements of income that make up the VRC by replacing the estimated inflation rate in the calculation formulae with the realized inflation rate, taking into account the recognition limits corresponding to each element of income and summing the differences thus obtained.

*The methodology for establishing regulated tariffs for natural gas transportation services approved by ANRE Order no. 7/2025 can be found at:* [*https://www.transgaz.ro/ro/clienti/servicii-de-transport/tarife-de-transport*](https://www.transgaz.ro/ro/clienti/servicii-de-transport/tarife-de-transport)