PUBLICATION OF INFORMATION IN ACCORDANCE WITH ARTICLE 19 OF THE REGULATION (EU) 2024/1789 ON THE INTERNAL MARKETS FOR RENEWABLE GAS, NATURAL GAS AND HYDROGEN

Content

Unofficial translation

In accordance with the first paragraph of Article 19 of Regulation (EU) 2024/1789 on the internal markets for renewable gas, natural gas and hydrogen, and Annex I to the Regulation, and on the basis of the decision of the national regulatory authority, the transmission system operator (hereinafter: TSO) hereby ensures the transparency of the methodologies, parameters and values used for determining the TSO's allowed revenues.

Publication of information	
Member State	Slovenia (SI)
Tariff period	2025 - 2027
Start of the tariff period	1. 1. 2025
End of the tariff period	31. 12. 2027

Reference:

- Article 19 of the Regulation (EU) 2024/1789 on the internal market for renewable gas, natural gas and hydrogen (Revenues of transmission system operators).

1. ENTITY RESPONSIBLE FOR CALCULATING, SETTING AND APPROVING THE DIFFERENT COMPONENTS OF THE METHODOLOGY

In accordance with Article 104 of the Gas Supply Act (Official Gazette of the Republic of Slovenia, No. 204/21 and 121/22), the Energy Agency (hereinafter: the Agency) defines, by means of a general act, the methodology for determining the regulatory framework in a manner that promotes the efficiency of the TSO and the use of the system. By this act, the Agency, inter alia, lays down the criteria for determining and the method for calculating the elements of the regulatory framework, the types of eligible costs, the duration of the regulatory period, etc.

In determining the methodology, the Agency applies the method of regulated annual revenue and regulated network charges of the system operator, which ensures that the system operator covers all annual eligible costs, including the regulated return. On the basis of this act, the TSO determines the eligible costs, network charges and other sources for covering these costs, subject to the prior approval of the Agency.

Reference:

- Article 104 of the Gas Supply Act (Official Gazette of the Republic of Slovenia, No. 204/21 and 121/22).

2. DESCRIPTION OF THE METHODOLOGY

The methodology for determining the regulatory framework is defined in the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25; hereinafter: the Methodology Act).

In Slovenia, the matrix method has been used for determining entry and exit tariff rates for network charges since 2013. Article 11 of the Act on the Methodology for Calculating Network Charges for the Natural Gas Transmission System (Official Gazette of the Republic of Slovenia, No. 20/19, 8/20, 85/20, 48/21, 204/21 – ZOP, 137/22 – corr., 146/22, 103/23, 53/24 and 50/25) stipulates in its first paragraph that the TSO shall determine entry and exit tariff rates using the matrix method in accordance with Article 7 of the Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas (hereinafter: Regulation (EU) 2017/460). In doing so, the TSO shall take into account:

- the replacement value of the transmission system,
- the allocation of that part of the allowed costs relating to capacity-based transmission services, and
- the load on individual parts of the transmission system at peak load.

References:

- Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25),
- Article 11 of the Act on the Methodology for Calculating Network Charges for the Natural Gas Transmission System (Official Gazette of the Republic of Slovenia, No. 20/19, 8/20, 85/20, 48/21, 204/21 – ZOP, 137/22 – corr., 146/22, 103/23, 53/24 and 50/25) and
- Article 7 of the Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas.

a) Overall methodology (revenue-cap, hybrid, cost-plus or tariff benchmarking)

When determining the reference prices using the matrix method, the allocation of costs is based on the replacement value of individual sections of the transmission system and on the maximum loads of these sections at peak load, thereby reflecting the allowed costs of specific parts of the transmission system. The matrix method is used to determine the reference prices for each entry and exit point of the transmission system.

In determining the reference prices with the matrix method, they are established using an optimization process whose objective is to minimise the differences between the tariffs for individual entry or exit points and the costs attributed to a specific part of the system.

Reference:

- Article 6 of the Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas and

- Article 11 of the Act on the Methodology for Calculating Network Charges for the Natural Gas Transmission System (Official Gazette of the Republic of Slovenia, No. 20/19, 8/20, 85/20, 48/21, 204/21 – ZOP, 137/22 – corr., 146/22, 103/23, 53/24 and 50/25).

b) Methodology to set the regulatory asset base (RAB)

(i) methodology to determine the initial (opening) value of the assets as applied at the start of the relevant regulatory period and when incorporating new assets to the RAB

When determining the initial (opening) value of the regulatory asset base (RAB) for the first year of the regulatory period, the realised book value of the assets from the balance sheet of the system operator's activity as of 31 December of the year two years prior to the start of the regulatory period (year t-2) is taken into account. This value is reduced by the book value of those assets for which, in accordance with Article 25 of the Methodology Act, a regulated return on assets is not recognised, and adjusted for the year before the beginning of the regulatory period (year t-1) in the manner set out in Article 30 of the Methodology Act. For the second and third year of the regulatory period, the determination of the initial (opening) value of the Regulatory Asset Base (RAB) takes into account the closing asset value (CAV) of the previous year of the regulatory period, calculated in accordance with the Methodology Act.

Reference:

- Article 29 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

(ii) methodology to re-evaluate assets;

In accordance with the Methodology Act, the cost of assets does not include increases in the value of assets resulting from revaluation due to the asset revalorisation.

Reference:

- Article 23(3) of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

(iii) explanations of the evolution of the value of the assets;

Evolution of the value of the assets is explained in Articles 27 – 30 of the Methodology Act.

Reference:

- Articles 27 – 30 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

(iv) treatment of decommissioned assets;

The Methodology Act does not specify the treatment of assets that have been decommissioned.

(v) depreciation methodology applied to the RAB, including any changes applied to the values;

When determining the depreciation cost, the purchase value of the assets must be taken into account, which, in accordance with Article 23 of the Methodology Act, represents the purchase value of these assets for the system operator or the system owner at the time of acquisition, reduced by any impairments of these assets as defined by accounting standards. The purchase value may not exceed the purchase value of these assets when they were first made available for use by the first system operator or the first system owner. Increases in the value of assets resulting from revaluation due to asset revalorisation are not included in the purchase value of the assets. If, during the useful life of the assets, their value decreases, the reduced value of the assets shall be taken into account in accordance with this act.

Reference:

- Articles 21 – 24 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

c) Methodology to set the cost of capital

In accordance with Articles 31 and 32 of the Methodology Act, the weighted average cost of capital before tax (WACC) is determined by the Agency in the following manner:

$$TPSK = \frac{DLK \cdot SLK}{1 - EDS} + DDK \cdot SDK \qquad [\%],$$

Where acronyms have the following meaning:

TPSK	Weighted Average Cost of Capital, in percentage;
DLK	the share of equity, which is equal to the ratio: (equity value)/(equity value + debt value), in percentage;
SLK	cost of equity, as a percentage;

EDS	effective tax rate resulting from the economically justified or tax-optimal operations of the company, as a percentage;
DDK	the share of debt capital, which is equal to the ratio: (value of debt capital)/(value of equity capital + value of debt capital), in percentage;
SDK	cost of debt capital, in percentage.

When determining the regulated return on assets for an individual year of the regulatory period (RDSt), the weighted average cost of capital before taxation (WACC) shall be taken into account in accordance with this act, up to the maximum level specified in Annex 2, which forms an integral part of the Methodology Act.

Reference:

- Article 31 and 32 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25),
- Annex 2 to the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

d) Methodology to determine the total expenditure (TOTEX) or, if applicable, operational expenditure (OPEX) and capital expenditure (CAPEX)

The methodology to determine the total expenditure (TOTEX) is not specifically defined in the Methodology Act.

Operational expenditures (OPEX) are defined in Articles 12–17 of the Methodology Act, which, among other things, specify operating and maintenance costs, non-controllable operating and maintenance costs, and controllable operating and maintenance costs.

Capital expenditures (CAPEX) are defined in Article 10 of the Methodology Act, which sets out the eligible costs, along with related articles that further define operating and maintenance costs, depreciation costs, and the annual regulated return on assets.

Reference:

- Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

e) Methodology to determine the efficiency of the cost, if applicable

Article 20 of the Methodology Act (efficiency factor) stipulates that, in determining the controlled operating and maintenance costs for each year of the regulatory period, efficiency improvements must be taken into account, as reflected in the efficiency factor for each year of the regulatory period (Ut). The efficiency factor reflects the requirement for a necessary reduction in the eligible costs of the system operator.

The efficiency factor for each year of the regulatory period (U_t) for the transmission system operator is determined by the Agency by decision no later than three months before the deadline for annual capacity auctions, as set out in the auction calendar pursuant to point 4 of Article 11 of Commission Regulation (EU) No 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (OJ L 72, 17.3.2017, p. 1), in the year preceding the start of the regulatory period.

The Agency determines the efficiency factor for each year of the regulatory period (Ut) as follows:

$$U_t = USpl_t + UInd_t$$

taking into account:

– planned general productivity of the economy ($USpl_t$), defined as the growth rate of labour productivity (GDP per employee) from the Spring Forecast of Economic Trends published by IMAD in the year before the start of the regulatory period (year t-1) referred to in the first paragraph of Article 3 of this act, and

– individual efficiency of the system operator ($UInd_t$) based on the results of efficiency analyses using expert methods (hereinafter referred to as: comparative analysis).

Annex 1 of the Methodology Act sets out the criteria for taking into account the results of comparative analyses, namely:

Average efficiency level achieved	Annual factor of required increased individual efficiency of the system operator ($UInd_t$)
From 0,98 to including 1,00	0,00
From 0,95 to including 0,97	0,01
From 0,81 to including 0,94	0,02
From 0,00 to including 0,80	0,03

Reference:

- Article 20 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25),
- Annex 1 to the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

f) Methodology applied to set the inflation

Article 19 (planned annual inflation factor) of the Methodology Act sets out the methodology for determining inflation as follows: when determining the operating and maintenance costs for each year of the regulatory period, the planned annual inflation factor (NI_t) is taken into account. This factor is determined based on the projected average annual inflation rate from the Spring Forecast of Economic Trends published by the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (hereinafter: IMAD) in the year preceding the start of the regulatory period (year t-1). If IMAD does not publish a projected inflation rate for all individual years of the regulatory period in the Spring Forecast, the calculation of the planned

annual inflation factor for the missing year(s) shall use the published projected average annual inflation rate for the last year included in the forecast.

Reference:

- Article 19 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

g) Methodology to determine premia and incentives, if applicable

Article 55 of the Methodology Act (incentives) sets out the following: if TSO incurs lower costs than the recognised eligible costs, the difference represents a higher realised return on assets than the recognised return under deviations from the regulatory framework. Conversely, if the TSO incurs higher costs than the recognised eligible costs, the difference is covered by reducing the recognised regulated return on assets. When determining the recognised eligible costs of the TSO for an individual year of the regulatory period, a one-time incentive for obtained free funds is taken into account. This incentive increases the recognised eligible costs of the TSO when determining deviations from the regulatory framework in the year of the regulatory period in which an asset constructed from these sources is commissioned, in the amount of 6 percent of the obtained free funds. If the TSO must return the obtained free funds, the previously received incentive reduces the recognised eligible costs when determining deviations from the regulatory framework for the year in which the funds are returned. When determining the recognised eligible costs of the TSO for an individual year of the regulatory period, an incentive related to achieving a 25-percent difference between the revenues and the costs and expenditures of the transmission system operator from the purchase of additional capacities under the oversubscription and buy-back scheme is also taken into account. This incentive increases or decreases the recognised eligible costs of the transmission system operator when determining deviations from the regulatory framework.

Reference:

- Article 55 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

h) Non-controllable costs

Article 13 of the Methodology Act defines the methodology for calculating uncontrollable operation and maintenance costs, also referred to as uncontrollable costs. These costs relate, among others, to gas consumed for own use, gas for system differences and gas for the purpose of OBA settlement, compensation for the use of building land, legally mandated membership fees, etc.

Reference:

- Article 13 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

i) Services provided within the company holding, if applicable

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3. VALUES OF THE PARAMETERS USED IN THE METHODOLOGY

In accordance with Article 3 of the Methodology Act, a regulatory period is a period of three consecutive calendar years. Regulatory periods run sequentially and continuously.

Reference:

- Article 3 of the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

a) Detailed values of the parameters that are part of the cost of equity and cost of debt of weighted average cost of capital expressed in percentages

The values shown below refer to the regulatory period from 1 January 2025 to 31 December 2027 and are set out in Annex 2 of the Methodology Act.

When submitting a request for approval to the Agency, the system operator applies a weighted average cost of capital of no more than 5.15 percent in calculating the regulated return on assets. The calculation takes into account the ratio between equity and debt capital of 60 percent equity capital (DLK) and 40 percent debt capital (DDK), the effective tax rate (EDS) of 10 percent, the cost of equity capital (SLK) of 5.95 percent and the cost of debt capital (SDK) of 2.95 percent. The weighted average cost of capital before tax is determined based on the study "Calculation of WACC using the "risk premium model" for the purposes of determining the regulated return of operators of electricity and natural gas transmission and distribution systems in the period after 1 January 2022", conducted by the University of Primorska in October 2020.

Reference:

- Annex 2 to the Act on the Methodology for Determining the Regulatory Framework of the Gas System Operator (Official Gazette of the Republic of Slovenia, No. 30/24 and 50/25).

b) Depreciation periods in years applicable separately to pipelines and compressors

The depreciation rates are listed in the Annual Report for 2024.

Net carrying amount of the tangible fixed asset and intangible asset are reduced through depreciation. The tangible fixed asset and intangible asset begin to be depreciated on the first day of the next month after the fixed asset is available for use. Intangible and tangible assets

are depreciated in the useful life according to the method of straight line depreciation. Depreciation is calculated separately.

Depreciation rate of intangible assets ranges from 2.5 percent to 33 percent for building typification to 50 percent for specific software and licences. For investing in network development planning, the depreciation rate is associated with the duration of concession relationship for pursuing the public service of natural gas transmission system operator, i.e. 35 years.

Main depreciation rates of the tangible assets are as follows: from 2 percent to 5 percent for buildings, 2.86 percent for gas pipelines, 6.67 percent for metering devices; 10 percent for furniture; 20 percent for passenger vehicles and 33 percent or 50 percent for computers and computer equipment, respectively.

Reference:

- Plinovodi Annual Report (page 61).

c) Changes to the depreciation period or in the acceleration of the depreciation applied to assets

Depreciation rates remained unchanged in 2024.

OPS also does not use accelerated depreciation of assets.

Reference:

- Plinovodi Annual Report (page 61).

d) Efficiency targets in percentages

The Energy Agency, by Decision No. 211-6/2024/3 of 22 April 2024, determined the efficiency factors of the TSO (factor U_t).

$USpl_t$ for the regulatory period from 1 January 2025 to 31 December 2027, which were taken into account by the Agency when determining the efficiency factor for each year of the regulatory period (U_t), are as follows:

$2025_{(t)}$ = 0,018

$2026_{(t)}$ = 0,022

$2027_{(t)}$ = 0,022

Pursuant to the third paragraph of Article 71 of the Methodology Act, the Agency applies the planned general economic efficiency ($USpl_t$) for the regulatory period from 1 January 2025 to 31 December 2027.

Reference:

- Decision of the Energy Agency No. 211-6/2024/3 of 22 April 2024.

e) Inflation indices

For the regulatory period from 1 January 2025 to 31 December 2027, the following planned annual inflation factors were taken into account, in accordance with the Spring Forecast of Economic Trends 2024:

2025 = 1,0340

2026 = 1,0220

2027 = 1,0220

Reference:

- IMAD Spring Forecast of Economic Trends 2024 (page 33).

f) Premia and incentives

Incentives were not taken into account when determining the regulatory framework.

4. VALUES OF COSTS AND EXPENDITURE THAT ARE USED FOR SETTING THE ALLOWED OR TARGET REVENUE

a) RAB per asset type detailed per year until its full depreciation

- Table 4.a

(i) investment added to the RAB, per asset type

- Table 4.a

(ii) depreciation per asset type until the full depreciation of the assets

- Table 4.a

b) cost of capital including the cost of equity and the cost of debt

	2025	2026	2027	Total
Regulated return on assets - RDS	13.171.634,76	13.933.788,72	14.281.146,78	41.386.570,26

c) operational expenditure

	2025	2026	2027	Total

Operating and maintenance costs	43.267.063,08	44.033.295,92	44.756.571,76	132.056.930,76

d) premia and incentives detailed separately per item

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5. FINANCIAL INDICATORS

a) Earnings before interest, taxes, depreciation and amortisation (EBITDA)

b) Earnings before interest and taxes (EBIT)

c) Return on assets I (ROA) = EBITDA/RAB

d) Return on assets II (ROA) = EBIT/RAB

e) Return of equity (ROE) = Profit / Equity

(i) Return on capital employed (RoCE);
(ii) Leverage ratio;
(iii) Net debt /(Net debt + Equity);
(iv) Net debt/EBITDA.

Calendar year	(a) EBITDA (mio EUR)	(b) EBIT (mio EUR)	(c) ROA I (%)	(d) ROA II (%)	(e) ROE (%)	(i) RoCE (%)	(ii) leverage ratio (%)	(iii) Net debt / (Net debt + Equity) (%)	(iv) net debt (%)
2024	25,3	7,8	10,63	3,28	1,19	2,83	14,56	14,56	1,54

6. SIMPLIFIED TARIFF MODEL

Simplified tariff model is available on our website.