

RAE DECISION No. 485/2022

Second Revision of the Tariff Regulation for the Basic Activity of Natural Gas Distribution

The Regulatory Authority for Energy

During its regular meeting, at its headquarters, on May 26, 2022, and

Taking into consideration

1. The provisions of Law 4001/2011 «*For the operation of the Electricity and Natural Gas Energy Markets for Research, Production and Hydrocarbon transmission networks and other regulations*» (Government Gazette A' 179/2011), as applicable (hereinafter, the "Law").
2. The provisions of Law 4414/2016 «*New support regime for power production plants from Renewable Energy Sources and High-Efficiency Cogeneration of Electricity and Heat - Provisions for the legal and operational separation of supply and distribution sectors in the natural gas market and other provisions*» (GG A' 149/2016) and in particular article 28.
3. The provisions of Law v. 4336/2015 «*Pension provisions – Ratification of the Draft Financial Assistance Agreement by the European Stability Mechanism and arrangements for the implementation of the Financing Agreement*» (GG A' 94/2015) και and in particular article 8 of sub-paragraph B.1 of paragraph B of article 2.
4. The provisions of Directive 2009/73/EC «*Concerning common rules for the internal markets of natural gas and repealing Directive Οδηγίας 2003/55/EC*» (L 211/2009).
5. RAE's Decision 328/2016 on the subject "*Approval of the Tariff Regulation for the Basic Activity of Natural Gas Distribution of the distribution networks of Attica, Thessaloniki, Thessaly and the rest of Greece*» (GG B' 3067/26.09.2016), as amended by RAE's Decision No 421/2021 on the subject «*First Revision of the Tariff Regulation of Natural Gas Distribution*» (GG B' 3727/12.08.2021) as

- applicable (hereinafter the «Tariff Regulation for Basic Activity of Distribution» or «Tariff Regulation»).
6. RAE's Decision No 1428/2020 on the subject «*Determination of the Required Revenue and Approval of the Invoice for the Basic Activity of Natural Gas Distribution of the Attica Distribution Network for the Regulatory Period 2019-2020* » (GG B' 4925/09.11.2020).
 7. RAE's Decision No 1429/2020 on the subject «*Determination of the Required Revenue and Approval of the Tariff for the Basic Activity of Natural Gas Distribution of the Thessaloniki Distribution Network and the Thessaly Distribution Network for the Regulatory Period 2019-2022*» (GG B' 4882/04.11.2020).
 8. RAE's Decision No 1430/2020 on the subject «*Determination of the Required Revenue and Approval of the Tariff for the Basic Activity of Natural Gas Distribution of the Rest of Greece Distribution Network for the Regulatory Period 2019-2022* » (GG B' 5072/17.11.2020).
 9. The fact that RAE submitted to public consultation during the period from 08/04/2022 to 06/05/2022 a draft amendment to the Tariff Regulation, as provided for in the provisions of article 29 of Law 4001/2011, in order for its revision so that, among other things, it is compliant with paragraphs 8 and 9 of article 88 of the (<https://www.rae.gr/diavoulefseis/29447/>).
 10. The views expressed by the Participants to the Public Consultation with the documents No RAE I-327751/06.05.2022 (HENGAS S.A.) and I-327765/09.05.2022 (DEDA S.A.), as well as No. RAE I-327764/09.05.2022 and I-327769/09.05.2022 [confidential documents, following the respective request of each Participant for non-disclosure of information].
 11. The fact that RAE's regulatory decisions are published in the Government Gazette, as defined in Article 32 of Law 4001/2011.
 12. The fact that this does not cause an expense to the state budget.

Processed as follows:

Because, according to the provisions of Article 41 of Directive 2009/73, as it stands, a fundamental competence of the Regulatory Authority for Energy is the determination of the calculation methodology as well as the tariffs of the non-competitive natural gas transmission and distribution activities. In particular:

«1. The regulatory authority shall have the following duties:

α) fixing or approving, in accordance with transparent criteria, transmission or distribution tariffs or their methodologies [...].

6. The regulatory authorities shall be responsible for fixing or approving sufficiently in advance of their entry into force at least the methodologies used to calculate or establish the terms and conditions for:

a) connection and access to national networks, including transmission and distribution tariffs, and terms, conditions and tariffs for access to LNG facilities. Those tariffs or method ologies shall allow the necessary investments in the networks and LNG facilities to be carried out in a manner allowing those investments to ensure the viability of the networks and LNG facilities'

b) the provision of balancing services which shall be performed in the most economic manner and provide appropriate incentives for network users to balance their input and offtakes. The balancing services shall be provided in a fair and non-discriminatory manner and be based on objective criteria; and

c) access to cross-border infrastructures, including the procedures for the allocation of capacity and congestion management.

7. The methodologies or the terms and conditions referred to in paragraph 6 shall be published».

Because, in accordance with the Directive's provisions, the article par. 1 subsection (b) of Law 4001/2011 defines the following: «*The methodologies and Tariffs of Non-Competitive Activities are published on RAE's and the relevant Administrators' websites*».

Because, according to the provisions of par. 1 of Article 88 of the Law, as it stands: «*With the Tariffs Regulation, which is issued by RAE, after a proposal by the relevant Natural Gas Transmission System or Distribution Network Operator and a public consultation, the methodology for setting tariffs for the charging of each Basic Activity is regulated. When regulating the tariffs methodology for every Basic Activity, the following are desired:*

(a) Stabilisation of prices in favour of Users.

(b) The reasonable return on capital employed by the System or Natural Gas Network Operator.

(c) The provision of services, including utilities, in the most reliable, economical and environmentally friendly way.

(d) The coverage of the costs of the Natural Gas System or Distribution Operator for the fulfilment of the public utility obligations imposed on it.

(e) The strengthening of free competition in the Natural Gas market.

(f) Adherence to the principle of transparency, equal treatment and impartiality.

(g) The provision of short-term and long-term incentives for the efficient operation, prudent planning and development of the infrastructure required for the exercise of the Basic Activity, the strengthening of security of supply and the support of research activities of operators related to its responsibilities.

(h) The consideration of the particular characteristics of each market, such as any cost differentiation due to the topology of the System or the Network.

(i) Incentives for new consumer charges and installation of smart metering systems.

(j) The realization of new investments in Natural Gas Distribution Systems or Networks for safe supply, their sustainability and meeting the expected future demand.

(k) For the invoicing of the Distribution Activity, the coverage of the fee paid by the Operator of the Distribution Network to its owner for granting the use, management and exploitation of the Network».

Because, with RAE's Decision No. 328/2016 (related 5) the Tariff Regulation for the Basic Activity of

Natural Gas Distribution for the distribution networks of Attica, Thessaloniki, Thessaly and the rest of Greece was established.

Because, with RAE's Decision No. 421/2021 (relevant 5) the First Revision of the Tariff Regulation for the Basic Activity of Natural Gas Distribution was established, through which the scope of the Regulation was expanded in order to cover all the distribution networks in the country.

Because, with paragraph 8 of Article 88 of Law 4001/2011, which was added by paragraph 4 of Article 108 of Law 4812/2021 (GG A 110/30-6-2021), it was stipulated that: «8. *In the event that a Natural Gas Distribution Network includes Emerging Natural Gas Distribution Areas and at the same time from the Recoverable Difference thereof at the end of each Billing Period, as calculated in accordance with Article 20 of the Tariff Regulation for the Basic Activity of Natural Gas Distribution of the Distribution Networks of Attica, Thessaloniki, Thessaly and the rest of Greece, an under-recovery of the Required Revenue occurs, said Recoverable Difference may be recovered, in part or in whole, from the tariffs of the next regulatory period of other Natural Gas Distribution Networks, whose Management Licenses belong to, either the same legal entity as or to legal persons controlled by, or under joint control with, the legal entity holding the Operation License of the said Distribution Network which produces the under-recovery. This procedure includes, in principle and as a matter of priority, the netting, in whole or in part, of the Recoverable Difference with over-recoveries of other Natural Gas Distribution Networks whose Operation Licenses belong to the same legal entity that operates the Network that produces the under-recovery and then those owned by legal entities that control, or are controlled by, or are in common control with, the network that produces the under-recovery. Tariff charges are calculated per consumer category, so that they are the same per unit of energy and per unit of capacity for all the above Natural Gas Distribution Networks [...]*».

Because, with paragraph 9 of Article 88 of Law 4001/2011, which was added by paragraph 4 of Article 108 of Law 4812/2021 (GG A 110/30-6-2021), the obligation to review the Tariff Regulation of the Basic Activity of Natural Gas Distribution is imposed, in order to comply with paragraph 8 of same Article.

Because, it is deemed appropriate to revise the provisions concerning the depreciation rates applied by the Operators to the fixed assets of the Natural Gas Distribution Networks, as already provided for in RAE's Decisions no. 1428/2020, 1429/2020 and 1430/2020 (relevant 6, 7 and 8), with the aim of the regulatory framework being compliant to the depreciation time of fixed assets and in order for tariffs to be calculated based on common assumptions for all Networks Distribution. Furthermore, in order to facilitate the control of the Operators' expenses and the efficient exercise by the RAE of its authority regarding the determination of tariffs, it is deemed necessary to explicitly define the obligation of the Operators to submit to RAE data certified by Auditors.

Because, based on the above, RAE submitted to Public Consultation a draft of the revised Tariff Regulation for the Basic Activity of Natural Gas Distribution.

Because, in relation to the opinion submitted by the company HENGAS S.A. in the Public Consultation regarding the duration of the depreciation period of asset classes, it is noted that the amendment in question was aimed at complying the different time periods provided for each Operator. Moreover, in relation to the relevant comment of the company DEDA SA. regarding the duration of the Operator's license, it is pointed out that, in accordance with the provision of article 80C par. 2 of Law 4001/2011, «*Their validity is extended for an additional thirty (30) years upon the expiry of the original License, following an application by the Licensee, submitted one (1) year before the expiry of the license and the relevant certification act of R.A.E. »*. Furthermore, regarding the comments of HENGAS and DEDA about the increase of the Weighted Average Cost of Capital, it is noted that on the one hand the determined percentage is already a sufficient incentive, which is granted without a Cost Benefit Analysis (CBA). In addition, DEDA's objection to the certification of the Operators' data, by invoking the increase of their operating costs and timely evaluation, appears to be obviously unfounded: on the one hand, the reasonable operational costs of the Operators are covered through the invoices, on the other hand, the pre-check by specialized and independent certified auditors contributes to shortening the time for examining the data by the RAE and in particular to achieving a high level of transparency and legal security, in order to safeguard the public interest.

Because, in any case, as specified in the Public Consultation Notice, the amendment in question did not aim at a general review ab initio of all the issues defined in the Tariff Regulation but at the adaptation of its provisions to the restrictively defined issues (see above).

Because, in addition to the point amendments, it is considered appropriate to clarify the criteria for granting a discount on the Connection Fees (Article 10) and the framework regarding the inclusion of the construction costs of the new Customer's internal installation on a special property basis (Article 5).

Because, verbal improvements and clarifications have been included where needed.

Because, based on the above, the Tariff Regulation is amended and codified.

For the above reasons

It is decided,

1. The amendment of the provisions of the Tariff Regulation for the Basic Activity of Natural Gas Distribution and its codification, in accordance with the "Appendix" of this decision, which is an integral part of it.
2. The publication of this Decision in the Government Gazette and its posting on RAE's website, as well as on the websites of the Distribution Network Operators.

Athens, 26/05/2022

The Chairman of RAE

Αναπλ. Καθ. Αθανάσιος Δαγούμας

This Decision is contested in accordance with the provisions of Article 33 of Law 4001/2011, as applicable.

2022

Tariff Regulation
Of the Basic Activity of Natural Gas Distribution

CHAPTER A – GENERAL PROVISIONS

Article 1 - Objective

1. The present Natural Gas Distribution Tariff Regulation (hereinafter "Regulation") specifies the methodology for determining the Required Revenue and the tariffs of the Basic Distribution Activity, as defined in the provisions of Article 12 of the Code for the Operation of Natural Gas Distribution Networks (hereinafter "Code"), in accordance with the provisions of Article 88 of Law 4001/2011 (Government Gazette A' 179/22.08.2011), as amended and in force (hereinafter "Law").
2. This Regulation concerns the charging of the Basic Activity of Natural Gas Distribution in the Natural Gas Distribution Networks, which operate in accordance with the provisions of the Law (Articles 80 et seq.) and the related Distribution Network Operation Licenses granted.

Article 2 - Definitions

1. The terms referred to in the Regulation have the meaning assigned to them in the Law, the Code and other acts issued under the authority of the Law, as well as in the individual articles of this Regulation.
2. In particular, for the implementation of this Regulation, additional terms are defined that refer to its provisions and have the following meaning:
 - A) Tariffs Approval Decision: RAE's decision approving the Required Revenue and Natural Gas Distribution Tariffs.
 - B) Operator: The Natural Gas Network Operator, according to paragraph 1 (f) of Article 2 of the Law.
 - C) Reserved Hourly Delivery Point Capacity: The capacity that the Distribution User commits to the Distribution Network for the Delivery Point, in kWh/hour.
 - D) Base Year: The reference year used to determine the individual parameters of the Required Revenue of the Natural Gas Distribution activity and which precedes the Calculation Year.
 - E) Calculation Year: The year in which the Required Revenue of the Natural Gas Distribution activity is calculated and precedes the Regulatory Period.
 - F) Regulatory Period (Tariff Validity Period): the time period for determining the parameters of the Operator's Required Revenue that shape the Distribution Tariffs, the duration of which is set at four (4).
 - G) Tariffs Calculation Period: The time period on which the calculation of Distribution Tariffs is based, the duration of which is defined in the Tariffs Approval Decision and may differ per Operator. The Tariffs Calculation Period may either coincide with the duration of the Regulatory Period or be reasonably longer than this, in order to equalize the Tariffs between the Regulatory Periods, taking into account the Operator's Development Program approved by RAE.

- H) Tariffs Clearance Period: Defines the period of four (4) years prior to the Tariffs Calculation Year, as long as none of these years has been included in a previous Clearance Period.
- I) Regular Revision of Tariffs: The procedure described in Article 19.
- J) Extraordinary Revision of Tariffs: The process of re-evaluation and re-determination of Tariffs under the conditions and in accordance with the procedure of Article 21 of this Regulation.
- K) Distribution Tariff: The tariff of the Basic Activity of Natural Gas Distribution based on which the Distribution Network Operator collects the required fee (Required Revenue) for the Basic Activity of Natural Gas Distribution, in accordance with the provisions of paragraph 4 of Article 88 of the Law.
- L) New Project Evaluation Period: The time period on which the evaluation of the economic efficiency of a new project is based, the duration of which may be different per Operator and may be longer than the Regulatory Period, taking into account the degree of utilization of the Distribution Network.
- M) Natural Gas Penetration Surcharge: The additional charge (burden), provided for in paragraph 8 of Article 88 of the Law, which is calculated in accordance with article 15A of this Regulation.
- N) Emerging Natural Gas Distribution Area: the area at Municipality level, in which twenty years have not been completed since the start of natural gas supply, according to section (05) of paragraph 2 of article 2 of the Law.
- O) Regulatory Asset Register (RAR): the register that includes all assets in operation of the Natural Gas Distribution activity, including long-term leases / rights to use assets. It is held for regulatory purposes by the Distribution Network Operator and is not subject to value adjustments.

Article 3 - Principles and Times of Calculation and Revision of Tariffs

1. The Distribution Tariff is determined based on the principle of recovering the Required Revenue for the Basic Distribution Activity, as determined in accordance with Article 4 of this Regulation, in order to comply with the provisions of Article 88 of the Law.
2. The Distribution Tariff is calculated based on:
 - A) The Operator's forecasts for the evolution of the amounts of the Required Revenue of the Distribution Network and the demand for natural gas for each of the years of the Tariffs Calculation Period, according to the provisions of Article 19.
 - B) The actual data regarding the Required Revenue and the recovered revenue of the Operator for each of the years of the Settlement Period, in accordance with the provisions of Article 20.
 - C) The Accounting Unbundled Financial Statements of the Operator, in accordance with the provisions of Article 80A and paragraph 4 of Article 89 of the Law.

3. The Distribution Tariff is drawn up by the Operator and submitted for approval to RAE in accordance with the procedure of Article 19.
4. The Natural Gas Penetration Surcharge is calculated by the legal entity that holds the Operation Licenses of the involved distribution networks or controls the Operators of all the Distribution Networks involved and is submitted for approval to RAE in accordance with the procedure of Article 19.
5. The Regular Revision of Tariffs is carried out within the fourth Year of each Regulatory Period, which becomes the Calculation Year for the next Regulatory Period. The Regular Revision of Tariffs is carried out in accordance with the procedure of Article 19.
6. The Extraordinary Revision of Tariffs is carried out under the conditions and procedure of Article 21.
7. The Operator is obliged to ensure that every actual (ex post) element used in calculations specified in this Regulation can be derived from audited reports or from publicly available information and is based on the Accounting Unbundling Rules, approved by RAE as prescribed in Articles 80 A and 89 par. 4 of the Law, as well as that variables or parameters used for the same calculations are sufficiently documented and based on clear assumptions that can be supported by available sources of information.
8. The Operator is also required to ensure that the actual data submitted in order to comply with this article has been audited or verified by the Operator's Certified Auditors or another independent person with appropriate professional qualifications, training, skills and experience in relation to the specified subject, which render him able to provide valid assessment, advice and analysis regarding the specific matter assigned to him.

CHAPTER B – REQUIRED REVENUE

Article 4 – Required Revenue of Basic Distribution Activity

1. The Required Revenue of the Basic Distribution Activity (hereinafter "Required Revenue") is calculated on an annual basis and at nominal prices, according to the following equation:

$$\text{Required Revenue} = A + B + C - D \pm E$$

Where:

- A: The Return on the Regulated Asset Base of the Basic Distribution Activity, according to Articles 5 and 6.
 - B: The Depreciation of Fixed Assets, including Rights of Use, of the Basic Distribution Activity, according to Article 7.
 - C: The operating expenses of the Basic Distribution Activity, according to Article 8.
 - D: Operator's other income from regulated and non-regulated activities according to Article 9.
 - E: The Recoverable Difference according to Article 20.
2. The Required Revenue of the Basic Distribution Activity, as well as the individual elements that make it up, are defined numerically for each year of the Regulatory Period with the Tariffs Approval Decision.

Article 5 – Regulated Asset Base of Basic Distribution Activity (RAB)

1. Regulated Asset Base (RAB) is defined as all the capital employed in the Basic Distribution Activity.
2. The RAB is calculated on an annual basis. The RAB value of each year is reported at the end of the respective year.
3. The RAB of the Distribution Network is calculated for each year as the sum of:
 - A) the undepreciated value of the existing and operating tangible and intangible assets of the Basic Distribution Activity, excluding:
 - (i) the grants that have been used to finance the construction of the fixed assets (tangible or intangible) of the Basic Distribution Activity,
 - (ii) the capitalized construction period interest
 - (iii) the income from Connection or Extension Fees for these assets,
 - (iv) other participation in the cost of the asset paid by Users of the Distribution Network or End Customers,
 - (v) the Operator's costs for the construction of projects, as long as they are taken into account in the operating costs.

- B) the KK% rate on Working Capital for the Basic Distribution Activity, which is calculated as the difference between current assets excluding short-term liabilities, as derived from either the Operator's Accounting Unbundled Financial Statements or the Operator's published financial statements by activity, or according to the Operator's most recent business plan. In case the Operator operates more than one (1) Distribution Networks, for which it proposes different distribution tariff factors, the calculation is carried out in accordance with the Accounting Unbundling Rules approved by RAE by geographical area (Distribution Network).
- C) of the planned projects included in the Approved Distribution Network Development Program, minus: a) any grants for the projects in question, b) any income from Connection or Extension Fees for these projects, and c) any other participation in the cost of the projects paid by Distribution Network Users or End Customers for these projects.
4. The inclusion of the planned projects in the RAB is done either with a Regular Revision of the Tariffs or with an Extraordinary Revision thereof and after the approval by RAE of the Development Program in which they have been included.
 5. The value of RAB's fixed assets is their undepreciated value in the Regulatory Asset Register, as determined based on the Acquisition Cost minus the accumulated depreciation. Any accounting adjustment of the value of the Operator's fixed assets after their registration in the Regulatory Asset Register is not taken into account in the calculation of the RAB.
 6. In the case of Integrated Natural Gas Operations and/or in the event that the Operator manages more than one (1) Distribution Networks, the determination of the fixed assets of the Basic Activity of Distribution is carried out in accordance with the Accounting Unbundling Rules approved by RAE, per activity and by geographical area (Distribution Network), as provided in the provisions of paragraphs 1 and 2 of article 80A and paragraph 4 of article 89 of the Law.
 7. The Operator, within three (3) months from the start of the Calculation Year, submits to RAE for approval detailed actual data regarding the cost of acquisition of each fixed asset (tangible or intangible) included in the RAB, its useful life, its accumulated depreciation and its undepreciated value during the Base Year. Also, the Operator submits to RAE, for each fixed asset, data related to the provisions in par. 3A (i), (ii), (iii) and (iv) of this article.
 8. If the Operator does not own all or part of the assets he uses, but carries out the Basic Distribution Activity based on a contract through which he has been granted the use of the assets of the Distribution Networks for a specific period of time, the RAB is calculated according to the provisions in the above paragraphs of this article, where assets mean the sum of assets owned by the Operator and those that have been granted to the Operator by use (Rights of Use).
 9. The RAB is defined numerically for each year of the Regulatory Period with the Tariffs Approval Decision.
 10. The WC% percentage for each year of the Regulatory Period is defined by the Tariffs Approval Decision. The WC% percentage takes proportionately the values between 50% - 100%, according to the level of the General Liquidity Ratio (GRI) of the Basic Distribution.

The percentage of WC% takes: a) a value of 100%, when the GRI is less than 1.5, b) a value between 51% and 99% when the GRI is between 1.5 and 2 (linear configuration), and c) a value of 50 % when the GRI is greater than 2. In case of negative Working Capital, the WC% is set equal to zero (0). Operator's General Liquidity Ratio means the quotient Current Assets / Short-term Liabilities.

11. For the purposes of the penetration of natural gas and broadening the basis of application of the tariffs, the Operator may include part or all of the cost of construction of the internal installation of End Customers in a special asset base on which only annual depreciations, and not performance, are calculated. The Operator submits to RAE for approval a cost/benefit analysis, from which it is certified that the Average tariff for the Use of the Distribution Network is not burdened, as defined in article 12 of this Regulation. RAE separately monitors the special asset base, approves its amount as well as the years in which it is depreciated for its development in relation to amounts that have been recognized in previous Regulatory Periods and may, in the Distribution Tariffs Approval decision, assess the feasibility of recognizing a corresponding expense for subsequent Regulatory Periods.

Article 6 - Return on the Regulated Asset Base of the Basic Distribution Activity

1. Return on RAB means the reasonable return, in nominal pre-tax prices, for the Operator and is calculated as the product of RAB times the Operator's Weighted Average Cost of Capital.
2. The return on RAB is calculated annually.
3. The Weighted Average Cost of Capital, in nominal pre-tax prices, is calculated according to the following formula:

$$WACC_{pre-tax,nominal} = (1 - G) \times \frac{ROE_{post-tax,nominal}}{1 - TX} + G \times DR$$

where:

WACC _{pre-tax, nominal}	Weighted Average Cost of Capital, pre-tax nominal The Weighted Average Cost of Capital in nominal pre-tax prices
G	Gearing Ratio The average of the annual Gearing Ratios related to the Basic Distribution Activity during the Regulatory Period, estimated on the basis of data from the Base Year, but also according to the Operator's most recent business plan submitted to RAE. The Annual Gearing Ratio is defined as the ratio of the total Long-Term Debt (D) related to the Basic Distribution Activity for the year to the sum of the total Long-Term Debt (D) and the total Equity (E) related to the Basic Distribution Activity for the same year. RAE may reasonably define an Average Gearing Ratio (G) during the Regulatory Period in the event that the estimated capital structure

of the Operator, according to his estimates in the most recent business plan, is not regulatory optimal. In any case, the G factor does not take a value greater than 0.5. The value of the G factor taken into account in the Tariffs Approval Decision does not concern a restriction on the actual capital structure of the Operator.

ROE _{post-tax, nominal}	Return on Equity post-tax, nominal The expected return on the Operator's Equity at nominal after-tax prices, calculated in accordance with paragraph 4.
DR	Debt Rate The Debt Cost is the average annual Debt Cost during the Regulatory Period, according to the Operator's most recent business plan submitted to RAE.
TX	Tax Rate The rate of total annual taxation of the Operator's profits, during the Regulatory Period.

4. The expected return on the Operator's Equity in nominal prices after taxes is calculated according to the following formula:

$$ROE_{post-tax,nominal} = RFR + CRP + \beta \times MRP$$

where:

RFR	Risk-Free Rate The risk-free return on investment, which is determined based on the average interest rate of the ten-year government bond during the last 12-months to the last business day of month n-2, (where n is the month of the required submission of the Required Revenue) of the Eurozone country with the highest credit rating from the three major credit rating agencies (Standard & Poor's (S&P), Moody's and Fitch Group). If two or more countries have the same score, then the country with the lowest yield over the last 12-month period as defined above is selected.
CRP	Country Risk Premium Investment risk rate in Greece. This rate is added to the risk-free return on investment and is determined taking into account the current economic conditions of investment in monopoly activity in Greece and in particular: A) The Operator's investment program and in particular the amount of new capital required to carry it out, and

B) The spread between the average interest rate of the ten-year Greek government bond and the ten-year government bond used as a basis for calculating the risk-free investment return (Risk Free Rate) over the same period.

This parameter cannot take a value greater than 4%.

MRP

Market Risk Premium

The return (risk) spread of the Market determined on the basis of historical data and future estimations of the evolution of returns on stocks versus government bonds, in as large a sample as possible of developed countries. In order to determine the parameter, data may be obtained, among others, from relevant reports of recognized financial institutions, universities, as well as from relevant international literature.

β

Beta factor

The Operator's Equity Beta Factor, based on the Blume Equity Beta Factors of listed Natural Gas Transmission System and Distribution Network Operators in the European Union without any competitive activity, as they are formed during the last five years up to the Base Year.

5. The Weighted Average Cost of Capital as well as the individual parameters for its calculation, in accordance with the provisions of this article, are determined numerically in the Tariffs Approval Decision.
6. In the Tariffs Approval Decision, RAE may approve a surcharge in the Weighted Average Cost of Capital of up to 1.5% and for a period of four (4) years, based on the achievement of the objectives set by RAE in the same Decision and concerning investments of the Operator in new Distribution Network development projects, as well as in the degree of penetration achieved through them. This additional return is accounted for in the next regular revision and relates exclusively to the investment value of the specific completed new Distribution Network development projects.

Article 7 - Depreciation of Tangible and Intangible Assets

1. The annual depreciation of the fixed assets (tangible and intangible) included in the Regulated Asset Base are calculated for each year of the Regulatory Period, based on the remaining life of the fixed assets, if they are existing, as it appears from the Regulatory Asset Register or the useful life of the fixed assets, if they are new fixed assets that are in operation and are included in the RAB.
2. Asset depreciation is calculated taking into account the useful life defined for each asset category and which must be recorded in the Regulatory Asset Register. In particular, the main categories of fixed assets are depreciated according to the following table:

Asset Category	Useful Life (years)
Buildings	50
Medium and low pressure pipes including fittings, valves and drain pipes	50
Cathodic protection of steel pipelines and equipment	20
Pressure reducers above 25 mbar, decompressors, compression stations, measuring systems	15
Remote control systems, telecommunications equipment	10
Other mechanical equipment, tools, scientific instruments	10
Vehicles	10
Computers, main and peripheral equipment, and software	5
Furniture and other office equipment	10

3. Any depreciation of fixed assets acquired from Customer Participations or Grants is not included in the Required Revenue.
4. RAE may approve depreciation of fixed assets included in the Special Asset Base, based on article 5 par. 11 of this Regulation.
5. Any readjustment of the value of the Operator's assets after their initial registration in the Regulatory Asset Register and in his financial statements, is not taken into account in the calculation of asset depreciation.
6. The estimated asset depreciation is defined numerically for each Year of the Tariffs Calculation Period with the Tariffs Approval Decision.
7. In the category of buildings, depreciation based on the above useful life of 50 years concerns cases of ownership of the assets by the Operator.

Article 8 - Operating Expenditures

1. Operating Expenditures are defined as the reasonable expenses of the Operator for carrying out the Basic Activity of Natural Gas Distribution, as defined in the provisions of article 12 of the Code, in a safe, efficient, cost-effective and reliable manner.
2. For the forecast of Operating Expenditures for each Year of the Tariffs Calculation Period, the following are taken into account and approved by RAE:
 - A) The operating expenses data from the Operator's financial statements for the Base Year. In the case of Integrated Natural Gas Operations, the distribution of the Operator's total operating costs in the Basic Activity is carried out in accordance with

the Accounting Unbundling Rules approved by RAE, as provided for in the provisions of paragraph 1 of article 80A and paragraph 4 of article 89 of Law. In case the Operator manages more than one (1) Distribution Networks, the calculation is carried out in accordance with the Accounting Unbundling Rules approved by RAE by geographical area (Distribution Network).

- B) Any other element that may affect the Operating Expenses during the following Years of the Tariffs Calculation Period, which the Operator submits during the procedure of article 18.
 - C) The need to continuously improve the level of security of the Distribution Network, the efficiency of the Operator and the quality of the services provided.
3. Operating Expenses include, among others:
- A) Payroll and other reasonable benefits of regular and temporary staff employed by the Operator.
 - B) Third Party Fees arising in the context of the operation of the Distribution Company.
 - C) Reasonable expenses for the study and evaluation of investments that were ultimately not implemented, after being approved by RAE.
 - D) Third Party Expenses (rents, insurance premiums, telecommunications costs, staff training costs, etc).
 - E) The financial costs of financing part or all of the costs of the internal installation of End Customers, if these costs are not subsidized by government funding programs. The Operator submits to RAE a Cost/Benefit Analysis regarding the financing plan for the internal facilities of its End Customers, certifying that the Average Network Usage Charge, as defined in article 12 of this Regulation, is not burdened. This study as well as the estimated funding expenditure is approved by RAE.
4. Operating Expenditures do not include income tax, financial expenses for servicing the Operator's loans (except for the financial expenses described in paragraph 3.E of this article), the provisions made by the company against all risks, exchange differences, extraordinary expenses and losses, as well as the expenses of the Operator that do not relate to the provision of the Basic Distribution Activity and should be accounting unbundled from it.
5. The operating expenditures referred to in paragraph 3 are approved by RAE and are defined numerically for each year of the Tariffs Calculation Period with the Tariffs Approval Decision.

Article 9 – Other Income from regulated or non-regulated activities

Other Income from regulated or non-regulated activities is defined as the Operator's other income, in addition to the income from charging the usage tariffs for the distribution network. Such Other Income is defined in particular as the Operator's income from activities, in the event that the capital employed and operating expenses of these activities are not accounting unbundled from the capital employed and operating expenses of the

Basic Distribution Activity and have been included in the calculation of the Operator's Required Revenue.

Article 10 - Determination of Connection Fees of a new Delivery Point

1. In case of a connection request, the interested party who requested the connection of a new Delivery Point and whose request was accepted by the Operator in accordance with the provisions of the Code, shall pay to the Operator Connection Fees.
2. The Connection Fees are determined in such a way that the Operator recovers through it part or all of the cost of constructing the External Facility for each new Delivery Point.
3. For the purposes of the penetration of natural gas and broadening the basis of application of the tariffs, the Operator may apply a discount to the Connection Fees, based on a cost/benefit analysis in which it is documented that there is no burden on the Average Tariff for the Use of the Distribution Network. This possibility is provided per Municipality, as long as the penetration, defined as "services/buildings on an active low pressure network" in the Municipality in question does not exceed 75%. The percentage of the discount can be up to 100% if the penetration is up to 25%, and it decreases as the penetration increases, up to 75% of it. Also, the total additional cost from discounts on Connection Fees is decreasing. The cost/benefit analysis is submitted by the Operator and approved by RAE before setting the tariffs.
4. The percentage of the discount on the Connection Fees for each year is approved by RAE in the Tariffs Approval Decision and only applies to active connections.
5. In case of applying a discount to the Connection Fees, the amount of the discount will be included in the Operator's Required Revenue as Regulated Asset Base.
6. No later than 1st October of each year, the Operator submits to RAE for approval:
 - A) Next year's proposed Connection Fees for End Customers, taking into account the approved discount rates on Connection Fees and the construction costs of the External Facility.
 - B) The updated – in relation to the approved Development Program – estimation of the Operator regarding the total construction costs of the external facilities for the following year.
 - C) The updated – in relation to the Tariffs Approval Decision – estimation of the Operator regarding the Connection Fees to be collected for the following Year.
7. The Operator does not change the Connection Fees during the year.
8. The Operator posts the Connection Fees on his website within five (5) days of notification of their approval by RAE.

Article 11 - Determination of Distribution Network Expansion Fees

1. In case of an extension project, the interested party who requested the extension of the Distribution Network and whose request was accepted by the Operator in accordance with the Code, shall pay the Operator Extension Fees.
2. The payment of the Extension Fees does not release the interested party from the obligation to pay the Connection Fees.
3. The Expansion Fees are determined in such a way that the Operator recovers through them part and/or all of the costs of the expansion project.
4. To calculate the Expansion Fees, the Operator takes into account the cost of the expansion project, the forecasts for the increase in demand in the area to which the expansion project relates and the possibility of sharing the costs of the expansion project among more than one End Customer or Distribution Network User.

Article 12 – Project's Economic Efficiency Criterion

1. To evaluate the economic efficiency of a new Distribution Network development project, the Operator calculates the impact that the implementation of the new project has on the Average Tariff for the Use of the Distribution Network during the New Project Evaluation Period.
2. The Average Tariff for the Use of the Distribution Network is calculated as the quotient of the sum of the estimated Distribution Network's Required Revenue for each year (y) of the New Project Evaluation Period, reduced to the present value of the first year of the New Project Evaluation Period by the sum of the total forecasted volumes of Natural Gas from all Delivery Points of the Distribution Network for each year (y) of the New Project Evaluation Period and reduced to the present value of the first Year of the New Project Evaluation Period. The Average Tariff for the Use of the Distribution Network is expressed in €/MWh GCV.
3. To calculate the present value of the amounts in the previous paragraph, the current Weighted Average Cost of Capital is used as the discount rate.
4. To calculate the impact on the Average Tariff for the Use of the Distribution Network, the estimated cost of implementing the new Development Project minus any grants and Connection Fees is taken into account, as well as the estimated Operating Expenditures resulting from the implementation of the new project, as well as the foreseen additional Quantities of Natural Gas estimated to be distributed in the Distribution Network with the implementation of the new project. As long as the inclusion of the new project in the RAB does not cause an increase in the Average Tariff for the Use of the Distribution Network during the New Project Evaluation Period, the project is understood as economically efficient.

CHAPTER C - DETERMINATION OF TARIFF COMPONENTS

Article 13 - Basic Distribution Activity Tariff Principles

1. The charge of the Basic Distribution Activity is calculated separately for each Delivery Point.
2. The Operator issues a Distribution Tariff to each Distribution User serving said Delivery Point.
3. The charges corresponding to each of the Delivery Points served by each Distribution User are indicated in the Tariff, as long as they are hourly Delivery Points. For the non-hourly Delivery Points, the charges are aggregated on the volumes distributed in accordance with the provisions of the Code.
4. The unit charges for the use of the Distribution Network are defined per category and sub-category of End Customer in accordance with article 14.

Article 14 - Definition of End Customer Categories

1. End Customers are divided into Categories based on the final use of natural gas, in such a way that each Category includes End Customers who, due to the main characteristics of natural gas use, can reasonably be expected to burden the Network in a similar way.
2. The End Customers Categories are submitted by the Operator and approved by RAE. The categories of End Customers are indicative as follows:
 - A. Non-industrial End Customers. This category includes at least the subcategory Domestic End Customers, based on paragraph 3.
 - B. Industrial End Customers.
3. The Operator may define further Subcategories within the above Categories based on the following criteria:
 - A. Annual gas consumption
 - B. The presence or absence of hourly load meters
 - C. The maximum technical capacity of the delivery point or the installed capacity of the internal facility
 - D. The end use of natural gas (commercial & domestic use)
4. The Subcategories are approved by RAE and are included in the Tariffs Approval Decision.
5. The Required Revenue of each Year of the Tariffs Calculation Period is distributed among the Categories according to the following formula:

$$RR_{k,t} = RR_t \times \frac{C_{k,t}}{C_t}$$

where:

$RR_{k,t}$	is the Required Revenue of Year t corresponding to End Customer Category k
RR_t	is the total Required Revenue of Year t
$C_{k,t}$	is the sum of the Reserved Hourly Capacity (kWh/Hour) of all active Delivery Points of End Customer Category k during Year t.
C_t	is the sum of the Reserved Hourly Capacity (kWh/Hour) of all active Delivery Points during Year t.

The Required Revenue of each End Customer Category is allocated to the Subcategories in a corresponding manner.

Article 15 - Calculation of the Coefficients of the Distribution Tariff

1. The Distribution Tariff includes a capacity charge and an energy charge.
2. For each Category or Sub-Category k of End Customers, a Capacity Charge Coefficient (SD_k) and an Energy Charge Coefficient (SE_k) are calculated.
3. For the first Year of the Tariffs Calculation Period, the Capacity Charge Coefficient (SD_k) is calculated for each End Customer Category k, and its sub-categories, respectively, to which it applies, as follows:

$$SD_k = Cap_k \times \frac{NPV(RR_k)}{NPV(RC_k)} \quad \left[\frac{\text{€}}{\text{kWh} \frac{\text{GCV}}{\text{hour}}} \right]$$

where:

Cap_k :	Adjustable rate (Capacity Charge Rate) which takes values from zero (0%) to one hundred percent (100%) and is determined by the Tariffs Approval Decision, following a proposal by the Operator. The Cap_k rate may vary between Categories.
$NPV(RR_k)$	The Net Present Value of the projected Required Revenue $RR_{k,t}$ of the End Customer Category k in Year t. It is calculated for years n of the Tariff Calculation Period as follows: $NPV(RR_k) = \sum_{t=1}^n RR_{k,t} / (1 + WACC)^{t-1}$.
$RC_{k,t}$	The sum of the Hourly Reserved Capacity which is reserved for all Delivery Points concerning the End Customers of Category k in Year t.
$NPV(RC_k)$	The Net Present Value of $RC_{k,t}$. It is calculated for n years of the Tariffs Calculation Period as follows: $NPV(RC_k) = \sum_{t=1}^n RC_{k,t} (1 + DCPI)^{t-1} / (1 + WACC)^{t-1}$.
$DCPI$	The projected average rate of inflation for the Tariffs Calculation Period. The DCPI is determined by the Tariffs Approval Decision.

4. For the first Year of the Tariffs Calculation Period, the Energy Charge Coefficient (SE_k) is calculated for each Category k as follows:

$$SE_k = (1 - Cap_k) \times \frac{NPV(RR_k)}{NPV(Q_k)} \quad [€/kWh GCV]$$

where

$NPV(Q_k)$ The Net Present Value of the forecasted Natural Gas Quantity delivered through the Distribution Network to the End Customers of Category k during Year t . It is calculated for all n years of the Tariffs Calculation Period as follows: $NPV(Q_k) = \sum_{t=1}^n Q_{k,t} (1 + DCPI)^{t-1} / (1 + WACC)^{t-1}$

$DCPI$ The projected average rate of inflation for the Tariffs Calculation Period. The DCPI is determined by the Tariffs Approval Decision.

5. For each of the following Years of the Regulatory Period and until the next Tariff Revision, the Capacity and Energy Charge Coefficients are calculated for each Category in accordance with the provisions of article 16.
6. For the calculation of the Capacity Charge Coefficient SD_k and the Energy Charge Coefficient SE_k per Customer sub-category, the provisions defined in paragraphs 3 to 5 of this article shall be applied proportionally.
7. To determine the numerical value of the Cap_k coefficients, the following are taken into account:
- A) The historical capacity charge prices per Category of End Customers.
 - B) The need to provide incentives to Network Users to increase the volume of natural gas in the Distribution Network through further penetration and the most efficient use possible.
8. The Cap_k coefficients as well as the SD_k and SE_k coefficients are set numerically for the first year of the Calculation Period with the Tariffs Approval Decision.
9. The Operator may calculate and offer a tariff for short-term use of the Distribution Network, for use of less than a year. The methodology for calculating short-term coefficients and their values are approved by RAE.

Article 15A - Calculation of the Natural Gas Penetration Surcharge

1. In the case of application of paragraph 5 of article 20 for a Natural Gas Distribution Network that includes Emerging Natural Gas Areas (Distribution Network), the part of the Total Recoverable Difference for each Year t of the Regulatory Period that is recovered through the Natural Gas Penetration Surcharge, as determined in accordance with paragraphs 5 and 6 of article 20 and distributed in each year t in accordance with paragraph 7 of the same article ($SAD_{2\lambda,t}$), is further distributed by Category of End Customers k belonging to the Natural Gas Distribution Networks

through which is recovered (Distribution Networks m), according to the following formula:

$$AD2_{\lambda,k,t} = SAD2_{\lambda,t} \times \frac{C_{k,m,t}}{C_{m,t}}$$

where:

$AD2_{\lambda,k,t}$	is the Recoverable Difference of the Distribution Network λ of Year t allocated for recovery, through the Natural Gas Penetration Surcharge, to the End Customer Category k of the Distribution Networks m.
$SAD2_{\lambda,t}$	is the remaining Recoverable Difference of Distribution Network λ of Year t recovered from Distribution Networks m as calculated in accordance with paragraph 7 of article 20.
$C_{k,m,t}$	is the sum of the predicted Reserved Hourly Capacity (kWh/Hour) of all active Delivery Points of End Customer Category k of Distribution Network Operators m in year t.
$C_{m,t}$	is the sum of the predicted Reserved Hourly Capacity (kWh/Hour) of all active Delivery Points of the Distribution Network Operators m in the year t.

2. For the first Year of the Regulatory Period the Natural Gas Penetration Surcharge is calculated for each Category of End Customers k as follows:

$$P_k = \frac{NPV(AD2_{\lambda,k})}{NPV(Q_{k,m})} \quad [€/kWh GCV]$$

where

$NPV(Q_{k,m})$ The Net Present Value of the predicted Quantity of Natural Gas delivered to the End Customers of Category k through the other Distribution Networks m, to which the Natural Gas Penetration Surcharge will be applied to recover the under-recovery of the Distribution Network λ , during Year t. It is calculated for all years n of the Regulatory Period as follows:

$$NPV(Q_{k,m}) = \sum_{t=1}^n Q_{k,m,t} (1 + DCPI)^{t-1} / (1 + WACC)^{t-1}$$

where $Q_{k,m,t}$ is the sum of the predicted Quantities delivered to the End Customers of Category k through the other Distribution Networks m during Year t.

$NPV(AD2_{\lambda,k})$ The Net Present Value of the Recoverable Difference of the Distribution Network λ allocated to the category of End Customers k of the Distribution Networks m , as calculated in accordance with paragraph 1 of this article. It is calculated for years n of the Regulatory Period as follows:

$$NPV(AD2_{\lambda,k}) = \sum_{t=1}^n AD2_{\lambda,k,t} / (1 + WACC)^{t-1}$$

3. The value of the Natural Gas Penetration Surcharge P_k per category of End Customers k for the first year of the Calculation Period, is defined by the Tariffs Approval Decision.
4. For each of the following Years of the Regulatory Period and until the next Tariff Revision, the Natural Gas Penetration Surcharge is calculated for each Category in accordance with the provisions of article 16.

Article 16 - Annual Adjustment of the Distribution Tariff Coefficients and the Natural Gas Penetration Surcharge

1. From the second year of the Tariffs Calculation Period, the coefficients SD_k and SE_k , as well as the Natural Gas Penetration Surcharge P_k , are adjusted for each Year t , according to the following formula:

$$P_t = P_{t-1} \times [1 + DCPI_{t-1} - X]$$

where:

P_t	The value of any of the coefficients SD_k , SE_k and P_k in the year t .
P_{t-1}	The coefficient value in Year $t-1$.
$DCPI_{t-1}$	The latest available percentage change in the average annual Consumer Price Index (CPI), as derived from the comparison of the average CPI during the last twelve months of year $t-1$ to the average CPI during the corresponding twelve months of year $t-2$, as published by Hellenic Statistical Authority.
X	The price of the coefficient X is determined by a RAE decision one (1) month before the beginning of the year t in the cases where the increase in the consumer price index for the previous year $DCPI$ is greater than the growth rate of the Operator's operating expenses. In any case, the coefficient X cannot take a value greater than $DCPI$. In the event that RAE does not decide on the value, the coefficient will be zero.

2. The Operator publishes on his website the values of the coefficients SD_k , SE_k and P_k per Category and Subcategory of End Customers to which they relate, no later than December 31 of the year $t-1$.

CHAPTER D - BASIC ACTIVITY CHARGES AND TARIFFS

Article 17 – Basic Activity Charge

1. The Annual Distribution Network Charge (Annual Charge) for hourly End Customers for the Delivery Point j of the Distribution Network served by a specific Distribution User is calculated as follows:

$$XDD_j = (SD_k \times C_j) + (SE_k \times Q_j) + (P_k \times Q_j)$$

where:

- SD_k The Capacity Charge Factor for the End Customer Category k to which the End Customer served by the Delivery Point j belongs, in €/(kWh GCV/Hour).
- SE_k The Energy Charge Factor for the End-Customer Category k to which the End-Customer served by Delivery Point j belongs, in €/kWh GCV.
- P_k The Natural Gas Penetration Surcharge for the End Customer Category k to which the End Customer served by Delivery Point j belongs, in €/kWh GCV.
- C_j The Reserved Hourly Capacity at Delivery Point j served by a specific Distribution User.
- Q_j The Quantity of Natural Gas distributed to Delivery Point j during the tariff year, in kWh GCV/Year, as determined in accordance with the Code.

2. The Annual Distribution Network Charge (Annual Charge) for non-hourly End Customers for the Delivery Point j of the Distribution Network served by a specific Distribution User is calculated as follows:

$$XDD_k = D_k + (SE_k \times Q_j) + (P_k \times Q_j)$$

where:

- D_k The Capacity Charge for the End Customer Category k to which the End Customer served by the Delivery Point j belongs, in €/Year. The Capacity Charge is calculated by multiplying the Capacity Charge Factor for the End Customer Category k to which the End Customer served by the Delivery Point j SD_k belongs to the Maximum Installed Capacity of the Meter (or to the Average Reserved Capacity of the Meter)
- SE_k Energy Charge Factor for the End Customer Category k to which the End Customer served by the Delivery Point j belongs, in €/MWh GCV.

- P_k The Natural Gas Penetration Surcharge for the End Customer Category k to which the End Customer served by Delivery Point j belongs, in €/kWh GCV.
- Q_j The Quantity of Natural Gas distributed to Delivery Point j during the billing year, in kWh GCV/Year, as determined in accordance with the Code.

3. The Operator is obliged to monitor and measure the actual hourly quantity per month, at Hourly Metered Delivery Points. In the event that this exceeds the Reserved Hourly Capacity of the Delivery Point, the Operator will adjust the details of the Delivery Point, in accordance with the provisions of article 37A of the Code as well as the corresponding charge from now on.
4. The Annual Charge may be divided into parts of the year in the following cases:
 - A) If, within the invoicing period of the Basic Distribution Activity, the Charge Coefficients are varied in accordance with article 21. In this case, the Annual Charge is calculated as the sum of the individual charges for each part of the Year before and after the change.
 - B) If there is a connection of a new Delivery Point within the year. In this case, the Capacity Charge for the said Delivery Point is calculated separately for the section in days of the year after the connection of the new Delivery Point.
 - C) If during the Year, the User changes the Reserved Capacity to a Delivery Point, and this change is accepted by the Operator. In this case, the Capacity Charge for said Delivery Point is calculated separately for the section in days (N) of the year before the change and respectively after the change as follows:

$$XDD_j = (SD_k \times (N/365) \times C_j) + (SD_k \times ((365 - N)/365) \times C_j^{new}) + (SE_k \times Q_j) + (P_k \times Q_j)$$

Article 18 - Tariffs of the Basic Distribution Network Activity

1. For the tariffs of the Basic Activity per month, the following apply for each Delivery Point:
 - A) The Capacity Charge is calculated and tariffed per Distribution User serving the said Delivery Point, based on the Reserved Capacity, depending on the number of Days in the month in which the Delivery Point is represented by a Distribution User and the Usage Agreement is in force.
 - B) The Energy Charge is calculated and tariffed per Distribution User serving the said Delivery Point per month, based on the Quantity of Natural Gas distributed to said Delivery Point during the month. In the event that the Delivery Point is served by two or more Users, the Quantity of Natural Gas delivered to the End Customer is distributed among the Users in accordance with the provisions of the Code. The tariff of non-hourly Delivery Points is aggregated based on the volumes resulting from the allocation made in accordance with the provisions of the Code.

- C) The Charge due to the Natural Gas Penetration Surcharge, where applicable, is calculated and tarified per Distribution User serving the said Delivery Point per month, based on the Quantity of Natural Gas distributed to the said Delivery Point during the month. In the event that the Delivery Point is served by two or more Users, the Quantity of Natural Gas delivered to the End Customer is distributed among the Users in accordance with the provisions of the Code. The tariff of non-hourly Delivery Points is aggregated based on the volumes resulting from the allocation made in accordance with the provisions of the Code.
2. The method of distribution of the amount of natural gas per Delivery Point for hourly metered Delivery Points and in total for non-hourly metered Delivery Points is done in accordance with the provisions of the Code.
3. The Tariff issued by the Operator per Distribution User, as specified in the Code, includes:
- A) Separately for each hourly metered Delivery Point served by said Distribution User:
- (i) The Capacity Charge Coefficient, the Energy Charge Coefficient and the Natural Gas Penetration Surcharge.
 - (ii) The Reserved Hourly Capacity and the Allocated Quantity of Natural Gas based on which the Capacity and Energy Charges are calculated, as well as the Charge due to the Natural Gas Penetration Surcharge.
 - (iii) The total charge for said Delivery Point.
- B) For the non-hourly Delivery Points served by the said Distribution User aggregated by category or sub-category of End Customers:
- (i) The Capacity Charge Coefficient, the Energy Charge Coefficient and the Natural Gas Penetration Surcharge.
 - (ii) In total the Capacity charged days and the Allocated Natural Gas Amount based on which the Capacity and Energy Charges are calculated, as well as the Charge due to the Natural Gas Penetration Surcharge.
 - (iii) The total charge for each Category and Sub-Category of End Customers.
- C) The total charge of the Distribution User, as the sum of the charges calculated according to items (A) and (B) above.
4. The revenues from the charges due to the Natural Gas Penetration Surcharge, collected by the Distribution Network Operators pursuant to paragraph 5 of article 20 of this Regulation, are paid monthly to the beneficiary Distribution Network Operator that includes Emerging Natural Gas Areas and are calculated as the latter's Basic Distribution Activity Income. For this purpose, the Operators involved take the necessary actions so that the return of the relevant amounts is carried out in accordance with the applicable legal framework.

CHAPTER E - REVISION OF TARIFFS

Article 19 - Process of Preparation and Regular Revision of Tariffs

1. Within three (3) months from the start of the Calculation Year, the Operator submits to RAE a draft of revised tariffs for the use of the Distribution Network (Draft of Distribution Tariffs), which is accompanied by the following:
 - A) Forecasts of the evolution of the demand for Natural Gas transmitted in the Distribution Network. The above forecasts take into account the demand data of the previous years before the Calculation Year, in particular the Base Year, the most recent Distribution Network Development Study as well as any other relevant data.
 - B) The Operator's Business Plan, where, among other things, there will be detailed information on the evolution of the Regulated Asset Base based on the approved investment plan, the annual depreciation on fixed assets and the Operating Expenses of the Operator for each Year of the Regulatory Period.
 - C) Actual data and auditor certifications for each Year of the Liquidation Period and calculation of the Recoverable Difference, in accordance with article 20, with justification of any excess of the total annual Regulated Asset Base compared to that foreseen during the preparation of the tariffs.
 - D) Documentation regarding the Operator's proposal regarding the numerical value of each parameter defined in the Regulation.
2. In the draft of revised tariffs for the use of the Distribution Network, the Operator submits a model of tariffs in an editable electronic format which includes in detail all the elements of par. 1, the provisions which, in accordance with the provisions of the Regulation, are subsequently determined by the Tariffs Approval Decision as well as the resulting Capacity Charge and Natural Gas Energy Charge Coefficients for each Category or Subcategory of End Customers.
3. In the case where the application of paragraph 5 of article 20 is deemed necessary, the legal entity that holds the Operation Licenses or controls the Operators of the involved Natural Gas Distribution Networks, submits a relevant request to RAE which is included in the relevant tariff revision plan of Distribution Networks. The request includes documentation of the reasons for which the application of paragraph 5 of article 20 of this Regulation is deemed necessary, as well as a detailed calculation of the offset of the negative SAD with any positive SAD of other Distribution Networks and the charges of article 15A of this Regulation.
4. The above, as well as the accounting data of paragraph 1, are checked and approved by RAE. Within thirty (30) days of the submission of the complete, in accordance with paragraphs 1 to 3 above, Tariff Plan, RAE sends to the Operator its comments on the Plan and in particular on the elements provided for in paragraph 1.
5. The Operator, taking into account the above observations, submits his final proposal within thirty (30) days of receiving RAE's observations.

6. Until the entry into force of the new Distribution Tariffs, the current tariffs apply. Any differences in the Operator's income are taken into account when calculating the Recoverable Difference of the next Settlement Period.

Article 20 - Calculation of Recoverable Difference

1. Within three (3) months from the end of each Year of the Settlement Period, the Operator submits to RAE the actual data for the following figures for the corresponding Year of the Settlement Period:
 - A) Regulated Asset Base, as defined in article 5.
 - B) Depreciation of fixed assets, as defined in article 7.
 - C) Operating Expenses, as defined in article 8.
 - D) Other Income from regulated or non-regulated activities according to article 9.
2. In the process of revising the Tariffs, the Operator calculates for each year (t) of the Settlement Period:
 - A) The Reclaimable Required Revenue, which is calculated as the sum:
 - i) The product of the WACC approved by RAE for the Tariff Settlement Period related to the Revision of the balance sheet size of RAB
 - ii) Actual depreciation of fixed assets
 - iii) The Operator's forecasts for Operating Expenses
 - iv) The Recoverable Difference that has been allocated in this year from a previous tariff revision to be recovered from the tariffs of the network in question or from the charges of other Distribution Networks with the application of the Natural Gas Penetration Surcharge
 - v) Minus actual other income from regulated or non-regulated activities.
 - B) The actual regulated income of the Operator, which includes the income from the application of the Distribution Network Usage Tariff in accordance with the tariffed quantities, as well as any income that may arise from the application of the Distribution Network Operation Rules. For the beneficiary Operator of the Natural Gas Penetration Surcharge, the revenues attributed to him in accordance with paragraph 4 of article 18 are also included.
 - C) The difference, for each year (t) of the Liquidation Period, of the Reclaimable Required Revenue, as calculated according to case (A), from the corresponding Operator's actual regulated income, as calculated according to case (B).
3. The positive or negative Recoverable Difference of each Year t of the Settlement Period, as calculated according to paragraph 2C above, multiplied by the factor $\prod_{n=t}^{n=T-1} (1 + DCPI_n)$ is reduced to first year T of the new Tariff Calculation Period, where the term $DCPI_n$ refers to the change in the Consumer Price Index for each year n of the Settlement Period between t and (T-1).

4. The algebraic sum of the inflated Recoverable Differences of all years of the Settlement Period constitutes the Total Recoverable Difference of the Settlement Period. Especially for the first issue of tariffs in accordance with article 22 for the determination of the tariffs of the Regulatory Period 2023-2026, for the Distribution Networks for which the time period on which the calculation of the tariffs was based was greater than 4 years, the above Total Recoverable Difference of the Settlement Period is also increased with the Recoverable Differences of the years 2017 and 2018 that were not allocated in the Regulatory Period 2019-2022 inflated according to paragraph 3 above.
5. According to paragraph 8 of article 88 of the Law, in the event that for a Natural Gas Distribution Network that includes Emerging Natural Gas Distribution Areas, the Total Recoverable Difference (SAD) calculated at the end of the Settlement Period is negative (under-recovery), then said Total Recoverable Difference may be recovered, in part or in whole, from the tariffs of the next Regulatory Period of other Natural Gas Distribution Networks, whose Operation Licenses belong to either the same legal entity as or legal entities that are controlled by, or are under joint control with, the legal entity that holds the Operation License of the Distribution Network in question for which the negative SAD results. This procedure includes, in principle and as a matter of priority, the netting, in whole or in part, of the negative SAD of the Distribution Network in question, with any positive SAD (over-recoveries) of other Natural Gas Distribution Networks whose Operation Licenses belong to the same legal entity that manages the Network that produces the negative SAD (under-recovery) and then those owned by legal entities that control, or are controlled by, or are in common control with, the Network in question.
6. The part of the under-recovery (SAD1) of a Distribution Network that includes Emerging Natural Gas Distribution Areas (Distribution Network λ) that is offset against over-recoveries of other Natural Gas Distribution Networks in accordance with the previous paragraph, is transferred to the Operator of the Distribution Network λ . For this purpose, the Operators involved take the required actions so that the return of the relevant amounts is carried out in accordance with the current legal framework. The part of the under-recovery (SAD2) that is not offset against the over-recoveries of other Distribution Networks is recovered through the Natural Gas Penetration Surcharge, as specified in article 15A of this Regulation.
7. The Total Recoverable Difference (SAD) of the Settlement Period recovered through the Distribution Tariffs is further distributed to each year t of the n years of the following Regulatory Period according to the following formula:

$SAD_t = (SAD / n) * (1 + DCPI)^t$ where, DCPI, the forecasted average value of the Average Consumer Price Index for the Regulatory Period and CPI_t the part of the CPI allocated to year t .

With the same formula, the remaining Recoverable Difference SAD2 of Distribution Network λ as obtained in accordance with paragraphs 5 and 6 of this article and which is recovered through the Natural Gas Penetration Surcharge is distributed in each year:

$SAD_{2,\lambda,t} = (SAD_{2,\lambda} / n) * (1 + DCPI)^t$ where, DCPI, the predicted average value of the Average Consumer Price Index for the Regulatory Period and $SAD_{2,\lambda,t}$ the part of SAD2 allocated to year t .

The numerical value of the Recoverable Difference is indicated in the Tariffs Approval Decision.

In order to incentivize the Operator for the economic and efficient use of the Distribution Network, the calculation of the Recoverable Difference takes into account the forecasts of operating costs and not the actual costs of the Operator.

Article 21 - Extraordinary Revision of Tariffs

1. An extraordinary revision of the tariffs may take place, following a relevant request of the Operator (Revision Request), which is submitted either on its own initiative or after a relevant suggestion or recommendation of RAE, in the event that either the Operator or RAE considers that the economic, legal or actual data taken into account when drawing up the tariffs have changed substantially. The following are mentioned as indicative and not limiting cases:
 - A) Significant change in the Operator's Borrowing costs.
 - B) Change in the total tax rate of the Operator's profits.
 - C) Significant change in the average annual Consumer Price Index compared to the forecasted price.
 - D) The case in which the total Reserved Capacity and/or the total distributed quantities for all Delivery Points in the previous year from the year of submission of the Emergency Revision Request (Revision Request Year) and the forecasts regarding said figures for the Revision Request year and for the following year are significantly lower or higher than the corresponding forecasts taken into account for the preparation/approval of the tariffs.
 - E) The registration in the Operator's accounting statements of network expansion projects due to connection, in the event that the projects in question have not already been provided for in the approved development program according to paragraph 10 of article 80 of the Law.
2. The request for the extraordinary revision is submitted by the Operator to RAE in writing, specifically documented and accompanied by a draft of revised Distribution Tariffs (detailed proposal and file in editable format), accompanied by the most recent Business Plan of the Operator. With the request, the following are submitted to RAE on a case-by-case basis:
 - A) Historical evidence of the evolution of the data which impose the revision.
 - B) Data on the deviation of the values of the data which impose the revision from the corresponding values forecasted for the respective Years of the Tariffs Calculation Period.
 - C) Assessment of the evolution of the data that impose the revision for each subsequent year from the year of Request for Revision until the year of Calculation of the next regular tariff revision.

- D) Assessment of the impact on the Operator's income and the impact on the amount of the tariffs of the current and next Regulatory Period, with a comparative recording of the tariffs in the case of approval of the Operator's request for an extraordinary revision and in the case of its rejection.
 - E) Detailed information regarding the cost of construction of extension projects due to connection which have not been included in the Development Plan and are recorded in the accounting statements of the Operator before the completion of the procedure concerning the approval of the next Development Plan, if the revision request is a result of the implementation process of such projects. In this case, the Operator also submits a techno-economic evaluation of the projects in question, as well as an impact study of the inclusion of the projects in question in the RAB and the Distribution Tariff.
3. The Operator's request for the extraordinary revision of the tariffs is evaluated by RAE, which issues its decision within a period of three (3) months from the date the Operator's request was formally considered complete.
 4. Rejection of the Operator's request is fully justified by RAE.
 5. In the event that RAE accepts the request for an extraordinary revision, the year in which the revision was carried out becomes the Calculation Year and the times for conducting subsequent regular revisions are adjusted accordingly.

CHAPTER F - FINAL AND TRANSITIONAL PROVISIONS

Article 22 - Times of First Issue of Tariffs

1. For the first issue of Tariffs governed by the provisions of this Regulation, the first year of the Regulatory Period may be defined as the Calculation Year.
2. In order to synchronize the Regulatory Periods of all Distribution Network Operators, especially for the Distribution Networks of which HENGAS S.A. is the Operator, within the year 2022 the first Regular Revision of the tariffs of the Regulatory Period 2021-2024 will be carried out, where the year 2021 will be settled and new tariffs will be approved for the Regulatory Period 2023-2026.
3. For the determination of the tariffs of the Regulatory Period 2023-2026, the data of paragraph 1 of article 19 shall be submitted by September 30, 2022.

Article 23 – Application of depreciation rates

The depreciation times of article 7 par. 2 are applied to the non-depreciable value of the existing fixed assets at the beginning of the year 2022, which is the calculation year for the approval of the Tariffs of the Regulatory Period 2023-2026 and onwards. For this purpose, the Operators make the necessary modifications and adjustments to the Regulatory Asset Register for the year 2022 regarding the depreciation rates, the value of the cumulative and annual depreciation and the undepreciated value of the fixed assets, so that the fixed assets are depreciated in a total time corresponding to in the time specified in article 7 par. 2 for each asset category.

Article 24 – Application of discount on Connection Fees

Especially for the year 2022, the discount on the Connection Fees applied by the Operators pursuant to article 10 may be equal to the prescribed Connection Fees (discount up to 100%), so that the concerned User who requests the connection of a new Delivery Point is exempted from the obligation to pay all Connection Fees.

Article 25 - Entry into Force of Regulation

1. The provisions of this Regulation are valid from their publication in the Government Gazette.
2. The provision of article 5 par. 11 and article 8 par. 3E of this Regulation is valid from 01/01/2017.
3. Especially for the Distribution Networks of which HENGAS S.A. is the operator, this Regulation is applied in accordance with the provisions of article 15 of Law 4001/2011.