From the Energy Market Regulatory Authority:

BOARD DECISION

Decision No: 6389 **Date of Decision:** 14/07/2016

In the meeting of Energy Market Regulatory Board on 14/07/2016, it has been decided to accept the "Procedures and Principles for Tariff Calculation of Liquefied Natural Gas Storage Companies" and publish thereof on the Official Gazette.

PROCEDURES AND PRINCIPLES FOR TARIFF CALCULATION OF LIQUEFIED NATURAL GAS STORAGE COMPANIES

CHAPTER ONE

Purpose, Scope, Basis, Definitions and Data to be Requested

SECTION ONE Purpose, Scope, Basis and Definitions

Purpose and Scope

Article 1- (1) The Procedures and Principles Herein cover the regulations regarding the determination of tariffs of licensed legal persons performing Liquefied Natural Gas (LNG) storage activities.

Legal basis

Article 2- (1) The Principles and Procedures herein are prepared on the basis of Law No. 4628 on the Organization and Duties of Energy Market Regulatory Authority, Natural Gas Market Law No. 4646, Regulations on Determining the Basic Usage Principles and Procedures for Liquefied Natural Gas Storage Facility.

Definitions

Articles 3- (1) In the Principles and Procedures herein, the following definitions have the meanings hereunder:

- 1) Commencement year: The first year of the tariff implementation period:
- 2) Regulated asset base: The sum calculated by deducting the total sum allocated for the reimbursement of investments from the updated nominal regulated investment expenses, as the beginning of the year and end of the year for each tariff year,

- 3) Interest rate: Of the "Deposit-Weighted Average Interest Rates Opened by Banks in Turkish Liras/New Turkish Liras" announced by the Central Bank of Republic of Turkey, Time deposit interest rate up to 1 year,
- 4) Revenue difference: The difference between the revenue ceiling of two years before the tariff year and the revenue collected or considered collected under the scope of storage tariffs at the same year,
- 5) Revenue difference correction component: The value of revenue difference of two years before the tariff year applicable for the start of the tariff year along with the interest rate specified in the Principles and Procedures herein,
- 6) Revenue ceiling: The revenue foreseen to be collected in the relevant year, calculated for each tariff year based on the annual revenue requirement and the correction components of the related year,
- 7) Ship cost exchange difference: In case the ship used in the floating LNG terminal is procured by leasing, the difference between the operational expenses considered in the tariff for the total of costs paid in foreign currency within the scope of the sum of leasing of the said ship as well as the operation of the ship, and the costs paid over the foreign currencies realized for the total of said sums,
- 8) Sum of return: The sum calculated by applying the real return rate on the regulated asset base on which the tariff is based.
- Amortization: The sum calculated for each tariff year taking into consideration the return periods for the nominal regulated investment expenses,
- 10) PPU: Basic Usage Procedures and Principles,
- 11) Board: Energy Market Regulatory Board,
- 12) Authority: Energy Market Regulatory Authority,
- 13) Minimum stock (Heel LNG): The amount of natural gas that is technically mandatory to keep in order to operate the LNG storage facility,
- 14) Nominal regulated investment expenses: The total of sums of investment expenses made with regard to the LNG storage facility,
- 15) Nominal return rate: The return rate calculated using weighted average cost of capital method by taking into consideration the costs of the resources used for the financing of the regulated asset base on which the tariff is based as well as the market risks.
- **16)** Real return rate: The rate calculated by clearing the effects of inflation on the nominal return rate,
- 17) Regulated operating costs on which the tariff is based: Operating costs related to the LNG storage activity,
- 18) Regulated asset base on which the tariff is based: The sum which is calculated by taking the arithmetical average of regulated asset bases at the start and end of the tariff year for each tariff year and which is used in the calculations of revenue requirement,

- 19) Tariff revision: Regulations regarding the tariff changes realized in case of significant changes in the factors used for determining the tariffs of the LNG storage companies,
- 20) Tariff implementation period: The period during which the LNG storage tariff approved by the Board will be effective,
- Tariff year: The period covering each calendar year within the tariff implementation period,
- **22) Non-facility asset:** Assets such as buildings, vehicles and similar assets other than the storage facility, used for the LNG storage activity,
- 23) Long term capacity sale: Capacity sale with a period longer than one year,
- **24) Amount of investment foreseen to be made:** The amounts of investments for the tariff years planned to be made by the company, to be taken into consideration while calculating the tariffs,
- 25) Investment difference correction component: The amount calculated from the point of differences that arise in case the realizations regarding the amount of investments which are foreseen to be made, considered in the tariff calculations of the previous tariff implementation period, are different from those foreseen,
- 26) Annual revenue requirement: Revenue calculated for each tariff year within the tariff implementation period,
- 27) Yi-ÜFE: The Domestic Producer Price Index announced by the Turkish Statistical Institute,
- 28) Method statement: The regulations which contain with which unit prices and how the revenue ceiling determined for each tariff year of the related implementation period will be covered and how the LNG storage sums to be valid for the related implementation year will be determined, which is submitted by the LNG storage company prior to each tariff implementation year and which enters into effect with the approval of the Board to be implemented throughout the related implementation period,
- 29) Floating LNG terminal: LNG storage facility located on the sea, on which all or part of the LNG facility functions are carried out,

SECTION TWO

Data to be requested

Article 4- (1) LNG storage companies shall submit the data, information and documents that form the basis of their tariff activities as well as their tariff recommendations they will prepare in accordance with the Procedures and Principles herein such that they are registered within the Authority's documentation 8 (eight) months prior to the start of the new tariff implementation period.

- (2) The data that form the basis of tariff activities are as follows:
 - Costs related to the investments made/to be made on the basis of years with regard to the facility, broken down with required details as requested by the Authority,
 - Balance sheet, revenue table, service cost table and other financial tables for the last 5-year period,
 - 3) Operating costs broken down with required details as those realized within the last 5-year period, those estimated to be realized with regard to the current year, and those planned for each year within the tariff implementation period,
 - 4) Information regarding the services provided on the basis of customers receiving service from the facility as well as the amounts received for the last 5-year period,
 - 5) Information regarding the sums for capacity reservation and sums for other services, which are realized within the last 5-year period, those estimated to be realized with regard to the current year, and those foreseen for each year within the tariff implementation period,
- (3) LNG storage companies are liable to submit all kinds of additional data, information and documents requested by the Authority to the Authority within the period specified during the period in which the tariff activities continue.
- (4) LNG storage companies shall submit the data that form the basis of revenue ceiling calculations to the Authority 6 months prior to the start of the related tariff year.

CHAPTER TWO

Provisions for Revenue Requirement Calculations, Investments and Operating Expenses as well as Income

SECTION ONE

Annual Revenue Requirement

Annual revenue requirement calculations

Article 5- (1) Annual revenue requirement is calculated in accordance with Equation (I) for each tariff year.

$GG_{i} \subseteq (\widehat{ODVT}_{i} \subseteq GKB_{i}) * RGO_{i} \subseteq Ii_{i} \subseteq IG_{i} \subseteq ISG_{i} \subseteq MS_{i} * RGO_{i} $ (1)	GG, E (ODVT, D	GKB.) * RGO □ii	, ⊐iG JiSG	☐MS * RGO,	(1)
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t : Each tariff year within the Tariff Implementation Period,

 GG_t : Annual Revenue Requirement for the t tariff year,

ODVT_t : Regulated Asset Base on which the tariff is based in t tariff year,

GKB_t : Ship leasing sum for the floating LNG terminal in t tariff year (except for the

costs paid under the scope of the operation of the ship),

 $RGO_{net} \qquad : Real \ Return \ Rate \ (\%) \ adjusted \ to \ have \ the \ same \ base \ as \ the \ ODVT$

determined for the Tariff Implementation Period,

: Sum allocated for the reimbursement of investments in t tariff year,

 G_t : Regulated Operating Expenses on which the Tariff is based, determined for

the t tariff year,

 $SG_t \qquad \quad : Regulated \ Operation \ Capital \ Expenses, \ determined \ for \ the \ t \ tariff \ year,$

MS_t : Minimum Stock cost for t tariff year.

(2) Annual revenue requirement values determined for each tariff year are updated according to the Yi-ÜFE of 4 months before the related tariff year and the updated value is used in calculating the revenue ceiling of the related year.

SECTION TWO

Issues related to Return

Asset base calculations

- **Article** 6- (1) Nominal regulated investment expenses (NDYH) consist of the total of facility-related investments as well as non-facility investments. Asset sales and salvage sales incomes generated in connection with the assets taken into consideration for tariff calculations are deducted from the NDYH.
- (2) In determining the NDYH; of the costs related to the non-facility assets (building, vehicle, software etc.) used by the LNG storage company in their activities, those mandatory to carry out the storage activity are taken into consideration.
- (3) The exchange difference, late interest, interest and similar financing costs arising after the investment expenses for the facility and the commissioning of the facility upon completion of the related investment are not taken into consideration in calculating the asset base calculations
- (4) For LNG storage companies, in tariff regulations to be carried out after the Principles and Procedures herein enter into effect, the method specified in paragraph 5 is used in calculating the regulated asset base for the start of the tariff implementation period (the start of the first tariff year of the tariff implementation period).
- (5) Regulated asset base for the tariff implementation period is calculated in accordance with Equation (2) by deducting the total sum allocated for the investments from the updated NDYH value calculated by using the Yi-ÜFE valid on the date of calculation.

$$DVT_{n} \subseteq \bigcap_{i=1}^{n} \frac{Y_{i}}{|S|} + |n| \exists i \exists i | \frac{1}{2}$$

$$(2)$$

i : Years as of the start of activities of the LNG storage facility,

n : Last year before the Tariff Implementation Period,

 DVT_0 : Regulated Asset Base at the start of the Tariff Implementation Period,

Y_i: The value of the investments made in year i included in NDYH, which are

updated using Yi-ÜFE,

S : Reimbursement period.

(6) Regulated asset base for the start of the tariff year for each subsequent tariff year other than the first tariff year within the tariff implementation period is calculated according to Equation (3).

$$DVT_{i} \cap DVT_{i} \cap Y_{i} \cap I_{i}$$

$$(3)$$

: The years within the Tariff Implementation Period except for the first year,

and the first year after the Tariff Implementation Period,

DVT_t : Regulated Asset Base at the start of the t tariff year,

 $\begin{array}{lll} DVT_{t-1} & : & Regulated \ Asset \ Base \ at \ the \ tarriff \ Year \ preceding \ the \ t \ tarriff \ year, \\ Y_{t-1} & : & Sum \ of \ investment \ for \ the \ Tarriff \ Year \ preceding \ the \ t \ tarriff \ year, \\ \vdots & Sum \ of \ reimbursement \ for \ the \ Tarriff \ Year \ preceding \ the \ t \ tarriff \ year, \\ \end{array}$

(7) Regulated asset base value for the start of each tariff year, calculated according to the Equation (3), is equal to the regulated asset base value for the end of the preceding tariff year. The value of regulated asset base on which the tariff is based, which will be taken into consideration in the revenue requirement calculation, is calculated according the Equation (4) based on the regulated asset base values for the start and end of the year.

$$\mathsf{ODVT}_{t} \square (\mathsf{DVT}_{t} \square \mathsf{DVT}_{tn})/2 \tag{4}$$

: Years within the Tariff Implementation Period.

Amount of investment foreseen to be made

Article 7- (1) Investments foreseen for the tariff implementation period, including the facility expansion investment sums, are taken into consideration in tariff calculations.

(2) If additional investment is required within the tariff implementation period, the request for these investments is evaluated by the Board and costs regarding the additional investments found appropriate, including return and reimbursement, are taken into consideration in the calculations of the next tariff implementation period. However, in case the additional investment amounts exceed 10% of the regulated asset base at the start of the related tariff implementation period, the tariffs may also be revised taking additional investments into consideration after the additional investment ceiling is approved.

Real return rate

Article 8- (1) RGO is calculated by considering the debt cost ratio and equity cost ratio, which are the costs of resources used within the scope of the financing of investments, and the share of related financing resources within the total resources.

(2) In this scope, the nominal return rate (prior to tax) is calculated according to the Equation (5) using the Weighted Average Cost of Capital (AOSM) method.

NGO L AOSM L
$$\mathbb{K}_a * w_a * \mathbb{D} \cap \mathbb{K}_a * w_a / \mathbb{D} \cap \mathbb{K}_a = 0$$
 (5)

NGO : Nominal Return Rate, k_d : Debt cost ratio (%),

w_d : Weight of the debts within the resources,

t : Rate of corporate tax (%), ke : Equity cost ratio (%),

w_e : Weight of equities within the resources.

(3) Equation (6) is used to calculate the debt cost ratio in Equation (5).

$$k_d = r_f + m \tag{6}$$

r_f : Risk-free return rate (%),

m : Sector borrowing risk premium (%) to be added to the risk-free return.

(4) Generally-accepted Capital Assets Pricing Model is used for the calculation of capital cost ratio. In this scope, capital cost ratio is calculated according to Equation (7).

$$\mathbf{k}_{s} - \mathbf{r}_{t} + \mathbf{\beta}^{*}(\mathbf{r}_{st} - \mathbf{r}_{t}) \tag{7}$$

B : The factor reflecting the risk of the natural gas storage sector relative to the entirety of the market,

r_M : Market revenue (%), (r_M - r_f) : Market risk premium (%).

- (5) While determining the NGO, borrowing costs as well as capital return expectations in the market are taken into consideration. The Authority may consult with investors, investment and corporate financing organizations within this framework.
- (6) The RGO is calculated as shown in Equation (8) by finding the real value of the NGO, calculated in accordance with Equation (5), using the expected inflation rates announced by the Central Bank of Republic of Turkey.

$$RGO = (1+NGO)/(1+BE)-1$$
 (8)

BE : Expected inflation rate (%) announced by the Central Bank of Republic of Turkey

- (7) If the RGO calculated under the scope of this article is less than 10%, RGO is taken as 10%
- (8) The return rate to be applied on ODVT in order to evaluate the regulated asset base and real return rate on the same periodical basis is calculated in accordance with Equation (9).

$$RGO_{pd} = RGO/I\square RGO/2.$$
 (9)

Investment difference correction component

Article 9- (1) If the total of values, calculated according to Yi-ÜFE, of the total of annual realized investment expenses found appropriate in accordance with the provisions of article 6 of the Principles and Procedures herein is higher than the sum, approved according to Yi-ÜFE, of the investment ceiling of the related implementation period, the part up to 5% of the investment ceiling is taken into consideration in tariff calculations with regard to the extra investment. If the total of values, calculated according to the Yi-ÜFE, of the said investment expense costs realized are higher than 105% of the sum, approved according to Yi-ÜFE, of the investment ceiling for the related implementation period, the excess sum is deducted from the annual investment expenses realized, starting from the last year of the implementation period.

- (2) If the amount of investment foreseen to be realized, which is used in the calculation of regulated asset base for the start of the preceding tariff implementation period, and the amounts of investment foreseen to be realized, which are determined for each tariff year within the tariff implementation period, are different from the investment sum realized in the related tariff year, the reimbursement and real return amounts corresponding to the said difference are taken into consideration in the calculation of investment difference correction components, save for the provisions of the first paragraph.
- (3) The amount under the scope of paragraph two of article 7 of the Principles and Procedures herein are also taken into consideration in the YFDB calculation.

(4) The YFDB is calculated in accordance with Equation (10).

$$YFD3_{ac} = \prod_{i=1}^{n} (\Box RG_{i} \Box \Box \dot{I}_{i}) \Box (\Box \Box RGD_{ac})^{(rG,1)} + \frac{Y_{i} \Box \ddot{U}FE_{b}}{Y_{i} \Box \ddot{U}FE_{bc}}$$
(10)

: Years starting from the last year (included) of the (ud-2) implementation period until the last year n (included) of the (ud-1) implementation period,

ud : Implementation period,

RGt : The difference between the estimated real return amount calculated for year i and actual real return amount considered in the calculations of revenue requirements for year i, taking into consideration the amounts of investments realized for the last year of the (ud-2) implementation period and for the tariff years except for the last year of (ud-1) implementation period as well as the amount of investment foreseen for the last year of the (ud-1) implementation

period,

t:

: The difference between the estimated reimbursement amount calculated for year i and actual reimbursement amount considered in the calculations of revenue requirements for year i, taking into consideration the amounts of investments realized for the last year of the (ud-2) implementation period and for the tariff years except for the last year of (ud-1) implementation period as well as the amount of investment foreseen for the last year of the (ud-1) implementation period,

Yi-ÜFE_b : Yi-ÜFE for the start of the Tariff Implementation Period,

Yi-ÜFE_{i,6}: Yi-ÜFE announced for June of year i,

RGO_{ud-1} : Real return rate (%) determined for the (ud-1) implementation period.

- (5) If there is a difference between the realized investments for the last tariff year of the (ud-1) implementation period and the amounts of investments estimated for the related year, the effect of the reimbursement and returns regarding the difference in between is considered in the calculations of investment difference correction component on which the implementation period following the new implementation period (ud+1) is based.
- (6) It is essential that the expenses for investments realized in t tariff year of an implementation period not be less than 65% of the investment ceiling for the related year. If it is determined that said rate is less than 65%, investment ceilings and/or return requirements valid for the related implementation period may be revised by the Board.

SECTION THREE Issues related to Expenses

Minimum stock cost

Article 10- (1) If the minimum stock required to operate the LNG storage facility is covered by the storage company, RGOnet is applied to the cost of the minimum stock in order to cover the alternative cost of the minimum stock and the amount obtained is added to the revenue requirement. In all cases, LNG storage company shall procure the minimum stock from the most economical source.

- (2) A reimbursement is not allocated for the minimum stock cost.
- (3) Purchasing cost updated with Yi-ÜFE is taken as the basis for the minimum stock cost. If the said minimum stock is not obtained from the market but is available in the facility, the purchasing cost is calculated by considering the price of natural gas on the date on which the facility is commissioned. In calculating the additional minimum stock cost which will be

required for capacity increase and/or another reason within the tariff implementation period, the current natural gas prices of the period in which the tariff calculations are made are taken into consideration.

- (4) If the minimum stock is provided by those receiving services from the related facility, minimum stock cost is not taken into consideration in calculating the tariffs.
- (5) In facility, the entire minimum stock is covered by either the LNG storage company or those receiving services from the facility. The method of procuring the minimum stock may not be changed within the tariff implementation period.

Reimbursement of investments

Article 11- (1) The period of reimbursement for LNG storage investments are determined by the Board, also taking into consideration the request of the company, such that it is not less than 5 years or more than 22 years.

(2) The reimbursement is allocated in equal rates on the basis of years over the NDYH.

Regulated operating costs on which the tariff is based

- **Article 12-** (1) Regulated operating costs on which the tariff is based consists of the total of expenses mandatory for the company to carry out the LNG storage activity.
- (2) Increases that are not reasonable with regard to the previous years are not taken into consideration in regulated operating costs on which the tariff is based.
- (3) Amounts of leasing, which arise in case the ship is procured through leasing in floating LNG terminals, and other related costs arising within this scope are taken into consideration under the scope of regulated operating costs on which the tariff is based, to the extent of their compliance with equal values.

Regulated operation capital expense

Article 13- (1) Regulated operation capital expense is determined by multiplying the amount equal to 1/12 of the Regulated Operation Costs, considered for the related tariff year in tariff calculations, with the Real Return Rate.

CHAPTER THREE

Calculation of Revenue Ceilings, Storage Costs and Other Provisions

SECTION ONE Calculation of the Revenue Ceiling

Calculation of the revenue ceiling

Article 14- (1) The income ceiling calculated in accordance with Equation (1) is taken as the basis for the calculation of storage unit amounts of the LNG storage company to be determined for each tariff year.

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t : Each Tariff Year within the Tariff Implementation Period,

GTt : Revenue Ceiling of the t tariff year,

 $GGG_t \qquad : Updated \ Revenue \ Requirement \ for \ the \ t \ tariff \ year, \ calculated \ according \ to$

Equation (12),

 $GFDB_t \qquad : \ \, \text{Revenue Difference Correction Component for } t \ \, \text{tariff year, calculated} \\$

according to Equation (13),

YFDB_t : Investment Difference Correction Component to be taken into consideration for the Revenue Ceiling calculations for the tariff year.

- (2) The YFDB in Equation (11) is only used in the revenue ceiling of only the first tariff year of the tariff implementation period, this component is not used in the revenue ceiling calculations of the following years. However, if the amount of YFDB is too high, this amount may be distributed within the revenue ceilings of multiple years by being updated with the Interest Rate in order to prevent high fluctuations. The YFDB calculations for the last year of the preceding tariff implementation period are taken into consideration in the tariff calculations of the next tariff implementation period after the investments for the related year are finalized.
- (3) GFDB is not taken into consideration in the calculation of revenue ceiling for the first two years of the first tariff implementation period after the Principles and Procedures herein enter into effect.
- (4) Updated revenue requirement is calculated in accordance with Equation (12).

 $GGG_{i} \sqcap GG_{i} + (Y_{i} \square \widehat{U}FE_{i} / Y_{i} \sqcap \widehat{U}FE_{i})$ (12)

t : Each tariff year within the Tariff Implementation Period,
GGG_t : Updated Revenue Requirement for the t tariff year,

GGt : Annual Revenue Requirement for the t tariff year, calculated according to

Equation (1),

Yi- $\ddot{\cup}$ FE_{t-1} : Yi- $\ddot{\cup}$ FE announced for the eighth month of t-1 tariff year, Yi- $\ddot{\cup}$ FE₀ : Yi- $\ddot{\cup}$ FE taken as the basis for the calculation of the GGt amount.

(5) Revenue difference correction component is calculated according to Equation (13).

GFDB $\bigcup GF_{102} * (I _ FO_{in1})^2$ (13)

t : Each tariff year within the Tariff Implementation Period,
GFDBt : Revenue Difference Correction Component for the t tariff year,

GF_{t-2} : Revenue Difference for the t-2 tariff year, calculated according to Equation

(14),

FO_{t-1} : Interest Rate announced for the first month of t-1 tariff year.

(6) Revenue difference is calculated according to Equation (14).

 $GF_{ire} \square GGT_{ire} \square GH_{ire}$ (14)

: Each tariff year within the Tariff Implementation Period,

 GF_{t-2} : Revenue Difference of the t-2 tariff year,

 $\mathsf{GGT}_{\mathsf{t-2}}$: The value of the Revenue Ceiling of the t-2 tariff year, updated according to

the mid-year Yi-ÜFE of the t-2 tariff year,

GH_{t-2}: This shows the total of values, appropriated for mid-year with Yi-ÜFE, of the revenues accepted as received under the scope of storage tariffs on monthly basis, taking the rate specified in paragraph four of article 15 as the basis in cases where the realized capacity usage in t-2 tariff year is less than the capacity rate specified in paragraph four of article 15; and shows the total of values, appropriated for mid-year with Yi-ÜFE, of the revenues accepted as received under the scope of storage tariffs on monthly basis, in cases where the realized capacity usage in t-2 tariff year is equal to or higher than

the capacity rate specified in paragraph four of article 15.

- (7) If the LNG storage company applies a discount on the storage tariffs approved by the Board, the effect of the said discounts are not taken into consideration in the revenue difference calculations.
- (8) The revenue ceiling for the related tariff year, which will be calculated in accordance with the Principles and Procedures herein, shall be determined with the decision of Board 3 months in advance and notified to the related company.

SECTION TWO

Method Statement and Method Statement for the Calculation of LNG Storage Amounts and the calculation of LNG storage amounts

- **Article 15-** (1) The Method Statement is submitted to the Authority no later than 6 months prior to the start of the tariff implementation period and approved by the Board as is or by making changes within no later than 2 months. The PPU of the LNG storage company is taken into consideration in creation of the Method Statement.
- (2) It is essential that the Method Statement not be changed within the implementation period. However, ex-officio changes by the Board or changes upon the request of the LNG storage company, with the approval of the Board, are possible in case of changes in the legislation within the period that affect the Method Statement, in case situations that could not be foreseen arise during the submission of the related Method Statement or developments in the market require changes in the Method Statement.
- (3) It is essential that the revenue ceiling be covered through the amounts defined in the PPU of the related storage company. Unit amounts that will ensure the acquisition of the revenue ceiling specified for the related tariff year and the methods for the calculation of these amounts shall be submitted by the related storage company to the Authority for approval no later than 2 months before the start of the tariff year. Amounts approved by the Board as is or by making changes are applied throughout the entire tariff year.
- (4) In the calculation of unit amounts, the capacity reservation amount of the related tariff year, including the capacity reserved by the related storage company under the scope of long-term capacity sales, are taken into consideration as the capacity amount. However, if the capacity reservation amount is less than the amount corresponding to 30% of the total capacity, the amount corresponding to 30% of the capacity is used.

SECTION THREE Other Provisions

Tariff implementation period

Article 16- (1) The tariff implementation period may not be shorter than 3 years and longer than 10 years. The request of the related LNG storage company is taken into consideration in determining this period.

Tariff revision

Article 17- (1) In case of significant changes in the factors used to determine the tariffs of the LNG storage companies, the company may file an application to the Authority for the revision of its tariffs and the Board may make these changes ex-officio in case of significant changes.

Ship cost exchange difference in the floating LNG terminals:

Article 18- (1) The ship cost exchange difference for each quarter of a tariff year is calculated by the Board in the first month of the following quarter and notified to the LNG

storage company.

(2) In case the operating cost taken into consideration in the tariff for the total of amounts paid in foreign currency under the scope of amount of leasing for the ship and the operation of the ship within each quarter of a tariff year is less than the cost paid over the foreign currencies realized for the total of said amounts, ship cost exchange difference notified by the Board is invoiced to the service receivers by the LNG storage company in the related quarterly period. In case the opposite of the abovementioned occurs, the ship cost exchange difference is paid to the service receivers by the LNG storage company. The sum to be invoiced/paid to each service receiver is calculated according to Equation (15).

$$\mathsf{FT}_{\mathsf{id}_{\mathcal{I}}} \; \mathsf{IGGKF}_{\mathsf{I}_{\mathcal{I}}} * (\mathsf{RM}_{\mathcal{I}}) / \prod_{\mathsf{id}}^{\mathsf{n}} \mathsf{RM}_{\mathsf{id}}) \tag{15}$$

ç : each three-month period of t tariff year,

i :each legal person receiving service from the related facility in t tariff year,
n : number of persons receiving service from the related facility in t tariff year,
FT_{i,t,c} : the amount to be invoiced/paid for the c quarterly period of the t tariff year to

the i service receiver

 $GGKF_{t,\varsigma}$: ship cost exchange difference calculated by the Authority for the ς quarterly

period of the t tariff year,

 $RM_{i,t} \hspace{1cm}$: reserve capacity amount in the related facility for the i service receiver in the t

year.

(3) The procedures and principles regarding the payment to be made within the scope of this article between the service receivers and the LNG storage company is regulated in the PPU of the related LNG storage company.

Provisions that will not be applied

Article 19- (1) After the date on which the Procedures and Principles herein enter into effect, the "Procedures and Principles for Tariff Calculation of Liquefied Natural Gas Storage Companies" no. 4928 dated 20.03.2014, published on the Official Gazette no. 28960 dated 02.04.2014 shall not be applied for the liquefied natural gas storage companies.

Provisional Article 1- (1) For the existing LNG storage facilities, current tariffs shall continue to be implemented until the first tariffs determined within the scope of the Procedures and Principles herein enter into effect.

- (2) For the existing LNG storage facilities, no corrections shall be made with regard to the previous periods in the calculations of tariffs for the first tariff implementation period after the date on which the Procedures and Principles herein enter into effect.
- (3) For the calculations to be made under the scope of article 6 for the existing LNG storage facilities, the investment amounts that are previously taken into consideration for these facilities are used.

Provisional Article 2- (1) The periods specified in the Procedures and Principles herein shall not be taken into consideration for the first tariff calculations to be made as of the date on which the Procedures and Principles herein enter into effect.

Entry into Effect

Article 20- (1) The Procedures and Principles herein enter into effect on the date of their publication.

Enforcement Article 21- (1) The Procedures and Principles herein are enforced by the Head of Energy Market Regulatory Authority.