

1 (b)(iii) 4 Operational expenditures

(Source: Methodology for the determination of the tariff items for gas transmission ("Official Gazette" nos. 48/18 and 58/18), Article 10

(1) Operating expenses (hereinafter: OPEX) constitute all reasonable operating expenses related to the gas transmission energy activity and do not cover depreciation costs.

(2) OPEX consists of the reasonable amount of material expenses, service expenses, personnel expenses, other operating expenses and other business expenditures.

(3) OPEX also includes gas procurement costs necessary for maintaining linepack, operating consumption, and for covering allowed operating losses and differences in measuring.

(4) The allowed operating losses and differences in measuring amount to maximum 0,3% of the total gas quantity at the transmission system entry points determined based on the measured data on the transmission system capacity use.

(5) OPEX does not include operating expenses that the Agency considers non-eligible for performing the energy activity of gas transmission.

(6) Non-eligible expenses referred to in paragraph 5 of this Article are as follows:

- Cost of gas procurement to cover the allowed operating losses and differences in measuring, in the amount exceeding the product of allowed gas losses and differences in measuring referred to in paragraph 4 hereof and the reasonable average procurement price of gas,
- value adjustment, in the amount exceeding 1% of total operating revenue of the operator,
- advertising services, sponsorships and costs of fairs, in the total amount,
- costs of internal representation and advertising, in the total amount,
- annual awards to the board members, in the total amount,
- life insurance premium costs, in the total amount,
- provisions, in the total amount,
- donations, in the total amount,
- penalties, compensations and costs from the contract, in the total amount, and
- expenditures – write-off of tangible and intangible assets, if the same assets are replaced by new assets that are entered into regulated assets.

Anticipated OPEX amounts for the years of the regulatory period have been shown in Table 9.

Table 9 The amount of OPEX for years of a regulatory period

<i>The year of the regulatory period</i>	T 2017.	T+1 2018.	T+2 2019.	T+3 2020.	T+4 2021.
<i>OPEX (HRK)</i>	156.432.104	156.588.536	158.058.302	159.686.535	160.317.281

Source: Decision by HERA dtd 17 March 2017; Table 4, Decision by HERA dtd 7 December 2018; model for calculating tariff items for gas transmission