Hungarian Energy and Public Utility Regulatory Authority

Romanian Energy Regulatory Authority

20th Stakeholder Group Meeting
GAS REGIONAL INITIATIVE – SOUTH SOUTH-EAST

8 July 2016, 10:00 – 15:30

Budapest, 52. Bajcsy-Zsilinszky út,

HEA premises, 1st floor, Conference room

Draft Minutes

Link to meeting documents: http://www.acer.europa.eu/Events/20th-SSE-GRI-SG-meeting/default.aspx

1. Welcome; Approval of the Agenda; Approval of the Minutes of the 19th SG Meeting.

Mr Kőrösi welcomed the participants on behalf of the organizer co-chair HEA.

The agenda of the 20th SG meeting and the Minutes of the 19th SG meeting were approved.

2. Update on Gas Regional Initiatives developments

2.1. Report on conclusions of 2nd EU Infrastructure Forum concerning GRI SSE

Mr. Dennis Hesseling gave an overview about the Forum held on 23-24 June in Copenhagen

- The first day hosted mainly political speakers.
- The second day devoted mainly to stakeholders.
- During the first day, Mr. Edmond Alphandéry, president of CEPS (Centre for European Policy Studies) presented the CEPS report[1] on the gap, emerging between financing needs of projects and the amount of bankable projects (among the factors discouraging investments are uncertainties regarding regulations).

[1] https://www.ceps.eu/system/files/Fostering%20Investment%20in%20Cross-border%20Energy%20Infrastructure%20in%20Europe%20-%20A%20report%20by%20the%20High-Level%20Group%20on%20Energy%20Infrastructure%20in%20Europe.pdf

- The ACER's PCI Monitoring Report has been publicised after the Forum, mentioning many delays/rescheduling of PCIs.
    - The SSE region is of particular importance for gas sector PCIs (in terms of projects/countries)
    - About 50% of PCIs are on time, the rest is delayed/rescheduled (typically at the beginning of the project and this is often due to demand uncertainties)
    - There is a limited advancement in cases of old PCIs. Mr Hesseling noted that if there is no progress on an "old" PCI, it has to be questioned if it is worth keeping that project on the list.
    - The NPV of expected life-cycle costs for gas PCIs is 7.8 billion EUR, which is about 2-3 times the average – numbers give rise to serious scepticism about whether the PCI list could be implemented as a whole;
    - There is a moderate interest from project promoters in financial instruments.
- CBCA monitoring
    - Insufficiency in cooperation during consultation – some TSOs turned to the ACER for not having been consulted in projects that concern them.
    - The NRAs tend to allocate costs to the hosting member state, where national net impacts are positive.
    - It seems to be necessary to improve the CBA methodology by better monetising benefits
    - ACER considers the possibility of introducing conditions to CBCA decisions (e.g.: once bookings exceed a certain level, the additional income would be subtracted from costs to be paid via CBCA)

Forum conclusions: The ENTSOs shall set up expert groups on implementation of transmission projects in both electricity and gas.

2.2. Outcome of 29th GRI SSE RCC

- Mr Kőrösi summarised the key points of the RCC meeting held on the day before, he highlighted the significant changes made to the WP 2015-2018 (new projects)
- Mr Birklbauer asked the chairs to make the WP 2015-2018 available prior to the meeting, because they do not have a clear view on what the changes are

3. GRI SSE Work Plan 2015-2018

3.1. Update on implementation of WP projects

- RO-HU-AT project (project promoter: E-Control)

  Mr. Alessandro Ischia pointed out that although there is also BRUA on the PCI list, this project does not include BG directly.
    - Incremental rules are going to be applied in the project
    - 2 IPs: Mosonmagyaróvár (AT-HU) and Csanádpalota (HU-RO) . At the present moment the capacity situation foresees no physical reverse flow at AT-HU IP, and a small physical reverse flow availability from RO to HU

- The goal encompasses the physical shipment of 4.4 BCM/y from the Black Sea offshore fields to Baumgarten CS
- The normal flow capacity (AT ->HU) at Mosonmagyaróvár will be allocated according to CAM NC, and it is not part of the incremental process.
- A market survey related to the open season(OS) was carried out. The aim was to get information and preferences regarding alternative methods for capacity allocation. The method 3 has been supported. (capacity will be allocated firstly to those network users, whose booking preferences will guarantee the stronger financial sustainability of the project)
- The complete set of entry-exit tariffs to be applied during the OS is still pending and NRAs should present it by Q1 2016 latest.
- An open season rulebook is going to be prepared by the TSOs. The open season procedure shall be carried out in parallel with the next CAM auction
- The project´s relative works, of which operational start up will depend on when the FID will be taken, should be concluded no later than 2022
- Mr. Popadic (AERS) asked about the potential of the shippers who would wish to sell the gas in Hungary before it reaches Austria – according to him, method 3 eliminates them from the competition because of their lack of interest at AT-HU IP
  - Mr. Ischia explained that the project was initiated by producers that aim to bring gas to the Austrian VTP. In any case at least 10% of the technical capacity will be reserved for short-term commitments. On the one hand, any result of booking situations will not prevent shippers to flow gas to the most convenient market, on the other hand the financial sustainability of this investment necessitates long-term commitments.
- Mr. Stephen Rose (RWE) asked about the determination of the f factor, bearing in mind that the level of bookings may fall short of the expectations (thus, the f factor would probably have to be changed or another solution shall be found)
  - Mr Ischia agreed to the importance of the question and will discuss the matter with the stakeholders
  - Mr Rose's point has been supported by further traders who expressed the importance of structuring conditions and alternative mechanisms in case initial expectations are not met.

- AT-CZ market integration
  - The plan is to develop the so-called Trading Region Upgrade (TRU) product which is not a capacity product but an option.
  - The TRU could be used to connect the two markets Virtual Trading Point (VTP)
  - Precondition to use the TRU is the possession of entry capacity products. Shippers exercise the TRU at the moment of the entry nomination..
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  - The market generally is interested in this option, but raised many questions. Only few details are known yet about the TRU product:
    - TRU is not under the CMP scope
    - TRU will be sold as yearly product
    - TRU is unidirectional

- Mr. Davide Rubini (EFET) would like to know more about the pricing of the product and balancing between the two system since there is no interconnection between them
- Mr Ischia states that most of the details of the TRU are not finalised yet and he is not in the position to answer these questions yet.
- The chair Mr. Kőrösi proposed to come back to this question on the next SG meeting

- Virtual Trading Point project (project promoter: E-Control)
  - The E-Control created a detailed questionnaire with 42 questions and circulated it. All GRI countries and Serbia answered
  - All the relevant questions with their respective answers were presented.
  - Mr. Stephen Rose (RWE) asked whether the result of the questionnaire will be made public and whether there were any questions regarding transparency included.
  - Mr Ischia pointed out that the results of the survey will be published but the survey did not include any transparency questions.

- Licensing
  - Mr Sandor summarised the concept developed by HEA: no new type of license planned, due to the heterogeneity of licensing processes country by country. Instead, the existing trading license system is kept with the key fundamental requirements harmonised.
  - The HEA prepared a concept paper which was consulted twice: NRA-level (plus ACER, EC) and secondly among stakeholders. There were more feedbacks at the second round of comments.
  - There are two main groups of countries in the region: one has a licencing regime for gas wholesale trading, the other has no such licencing obligation.
  - The aim of the project is to harmonise existing licencing regimes and to provide the basis for accepting the licences of other countries in the region.
  - No plans (and does not make sense) to introduce licencing regime in countries where there is no licencing obligation currently
  - Some minimum criteria were identified that as a first step should be harmonised in licencing regimes
  - These criteria are logical and legal consequences of the business legislation and thinking.
  - This is but a first step on the way to harmonise, loosen up and finally show up licencing regimes in the region
  - Mr. Stanisław Brzęczkowski (GAZ-SYSTEM) noted that duplication of data reporting obligations shall be avoided and given already existing REMIT data base (CEREMP) asked whether under this new concept, it would be possible to ease data reporting by allowing NRAs access to CEREMP.
    - Mr Sandor said if it can be accessed it is worth investigating since one data should be reported only once.

        - Mr Hesseling pointed out that the REMIT data base contains confidential data. It can be accessed partly by the relevant NRAs but only under conditions which ensure the confidentiality of its content. Currently, only few NRAs have access to CEREMP. ACER took the suggestions on board for consideration.
    - Mr. Rose (RWE) noted that some NRAs already investigate the possibility to use the REMIT data for easing up the data reporting obligation but pointed out that the main objection for shippers in case of licencing was not the obligation to acquire the licence itself but the bureaucracy and time it takes to get it.
        - Mr Sandor noted that acquiring a licence should not take more than 1-2 month in case of shippers supplying end-consumers.
    - Mr. Ischia noted that the minimum criteria are all directly connected to civil law, and suggested to look for solutions that encompass the elimination of trading licenses at least for paper traders at VTP
    - Mr. Vincenzo Cioffo noted that all in all the licence is a tool for knowing the traders and their dealings but this tool should be replaced with new ones
    - The chair Mr. Kőrösi declared that the preparation of the project will be continued using the comments received during the circulation and got at the discussion.

- Bundling of capacity at the Bulgaria-Greece Interconnection Point and BAL interim measures between BG and GR

  Ms. Victoria Jermanova (EWRC) informed the meeting about the followings:
    - The main aim of the project is to implement CAM and BAL NC in both countries and continuing the cooperation
    - Both countries joined the RBP platform and in case of Bulgaria the full implementation of this will be in the fall 2016
    - Mr. Aleksandar Popadic (AERS) asked about the pricing of the backhaul capacity on the Bulgarian border
    - Ms. Jermanova noted that only temporal prices were issued with discounts on certain products which in case of backhaul is 15%

4. **Energy Community developments –** updates by Ms. Nina Grall

- The implementation of the Third Package has been completed in the EnC countries with the exception of Bosnia Hercegovina and former Yugoslav Republic of Macedonia
- Ukraine and Moldova implemented the Third Package but still has some missing legislation regarding the regulators
- Infringement procedures are envisaged against Contracting Parties for lack of DSO unbundling
- In case of Serbia the TSO unbundling is still just in the planning phase
- Bosnia Hercegovina is still missing its gas regulation completely

5. Next meeting

- On behalf of the Romanian co-chair Mr. Florin Tobescu announced that next meeting will be in Bucharest in the second half of October. Exact date proposal will be circulated later.
- The participants were informed that the two years period of Romanian co-chairmanship will come to its end. A new co-chair should be appointed so interested NRAs should apply for the position.