25th Stakeholder Group Meeting

GAS REGIONAL INITIATIVE – SOUTH SOUTH-EAST

7 May 2019, 09:30 – 14:00

Terazije 23, II floor, Belgrade, Serbia

Chamber of Commerce and Industry of Serbia

Draft Minutes

Link to meeting documents: http://www.acer.europa.eu/Events/25rd-Stakeholders-Group-SG-Meeting-of-the-GRI-SSE/default.aspx

1. Approval of the Agenda and Minutes

Co-chair from AERS welcomed the participants on behalf of the organizer and co-chairs AERS and ERU.
The Minutes of the 24th SG meeting and agenda of the 25th SG meeting was approved.

2. Briefing on recent developments at ACER level

2.1. Updates on recent issues on EU level

ACER gave information about recent developments and activities of ACER. New chair and vice chair of ACER BoR and new AGWG chair have been appointed. ACER is inputting in the new Gas Package proposal. ACER consultation paper about new Gas Package will be issued by the summer and will cover the following topics: targeted regulation, cross-border tariffs, new gases/products and infrastructure planning. Inputs for the new Gas Package are coordinated directly at BoR level and proposals will also come from ACER Gas Department and AGWG.

2.2. ACER GRI coordination group – updates

ACER coordinates three regional initiatives: south south-east region, south regions and Baltic region. The last GRI coordination group meeting about updates in regions via telco was on 21 January 2019. The next GRI coordination group meeting will be in the end of June 2019. In Baltic Region Latvia, Estonia and Finland NRAs tried to agree on the single entry-exit system framework (FINESTLAT). Lithuania should choose between two tariff proposals for 2020: a separate entry-exit zone or entry-exit zone together with FINESTLAT. South GRI Work Plan 2019 – 2020 contains three topics: Update of the report on the use of infrastructure, market integraion focusing on the inclusion of Portugal in MIBGAS and price spread between the different market places and contribution of gases to decarbonisations.

2.3. Review of NC TAR implementation

ACER presented consultation timeline between ACER and NRAs about NC TAR implementation. Present transmission system in the EU is a combination of very different national gas systems and countries also have different positions along the gas chain. ACER investigated if the reference price methodology proposed by NRAs was in compliance with NC TAR, Article 7. ACER presented their proposals for modification of proposed tariff methodologies in Romania, Poland, Poland Yamal, Slovenia, Italy, Czech Republic, Slovakia, Hungary, Croatia and Greece with a goal to be compliant with NC TAR. For Bulgaria, consultation process has not finished yet. The choice of the reference price methodology should be justified in relation to the structure of the network, NC TAR, Article 7 principles, and national police goals in relation to the reference price methodology.

2.4. ACER decision for HUAT incremental capacity

ACER presented its decision for HUAT incremental capacity. The decision states that no cost would be socialised and the captive users of the Hungarian network would not be impacted, since the f - factor = 1 in the economic test in Hungary. Two levels of the technical capacity are foreseen to be offered as the increment capacity. 10% of the technical capacity to be set aside for short-term booking. Binding commitments to be requested in annual yearly capacity auction for the period of the next 15 years in July 2019 in order to carry out the economic test.

2.5. ACER report on Conditionalities

In accordance with NC CAM, Article 38.4, ACER prepared the Report which assesses the existence, extent, and application of conditions on firm capacity that limit the functioning of the full entry-exit system. Conditionalities are broadly used in different forms in different countries. Conditional products are: product that restrict firmness and/or allocability of firm capacity (mostly Germany), services modifying the standard conditions of firm capacities to designate balanced flows from specific entry to exit points (UK, Belgium and Netherlands), dedicated transit pipelines (Poland, Romania and Bulgaria) and legacy transit contracts (Hungary and Slovakia). New Gas Package should give clear direction on the two options for conditionalities: complete the entry-exit system with the end of long term non-standard contract (expected high tariffs increase), or only remove conditionalities selectively, standardise conditionalities which remain (expected lower tariffs increase).

3. Allocation on new capacities on IPs

3.1. TAP – current status and future incremental capacity allocation

RAE presented current status in TAP pipeline construction and actual regulatory activity. RAE explained procedure for the incremental capacity allocation. TAP prepare Market Test Guidance and after that it will be sent to NRAs for approval.

3.2. GASTRANS exemption and capacity allocation

AERS presented procedure and final solution for GASTRANS exemption from the unbundling ownership, regulated third access and regulated tariffs and also conditions and obligations which AERS imposed to GASTRANS in the Final act of exemption.

3.3. LNG Krk and evacuation pipeline – current status

Plinacro presented information about construction of LNG terminal Krk, evacuation pipeline Omisalj Zlobin and compressor station. LNG terminal Krk will start with commercial work in January 2021. For connection of LNG terminal Krk with the transmission system, Plinacro will construct evacuation pipeline Omisalj Zlobin (18 km). Construction costs for pipeline Omisalj Zlobin DN 800/100 are 35 million € and half of that sum will be provided from a grant. Plinacro will finish 4.5 MW compressor station with capacity 201.000 m^3/h in the third quarter of 2019. This compressor station will allow natural gas transmission in direction from Croatia to Hungary. Capacity towards Slovenia amounts to 30,000 m^3/h and with relatively small investment can be increase to 100,000-150,000 m^3/h.

3.4. TRU product allocation

Gas Connect Austria and NET4GAS presented pilot project Trading Region Upgrade (TRU) as a way to integrate CZ and AT gas markets. Yearly, quarterly and monthly auctions for TRU are conducted. For flow direction from CZ to AT, yearly capacity was sold with 9.9% auction premium and quarterly capacity with 6.8% auction premium. There was no market interest for capacity in flow direction from AT to CZ. Average price spread between CZ and AT hub price was 0.236 EUR/MWh before TRU and 0.316 EUR/MWh with TRU. This seems to show that there is no correlation between the TRU product and spread reduction. In fact, it would be difficult to find any correlation since the TRU volumes are only 0.12% of the IP's technical capacity. Next steps for TRU are to complete execution of pilot project and assess pilot project with NRAs. Prolongation of the project for gas year 2019-2020 depends on the final assessment of the pilot project.

Shell stated, as in other occasions, that the TRU product is against the EU rules on capacity booking. Among the various elements of incompliance, Shell stressed that shippers should book capacity not the TSOs and also suggested Gas Connect Austria and NET4GAS not to prolong TRU pilot project and that nowhere in the EU special "liquidity corridors" should be created, rather the existing rules should be properly applied.

4. GRI SSE Work Plan 2019-2020

4.1. Survey on storage and LNG

E-control informed that the questionnaire about LNG and storages infrastructure, services and tariffs are prepared. The final version of the questionnaire is made together with ACER and sent to NRAs. The deadline for NRAs to send fulfilled questionnaire is 24 May 2019. E-control representative expected to present results about LNG and storages infrastructure, services and tariffs at the next GRI SSE meeting.

4.2. 24 h supplier switching

ERU informed about their analyses possibility for 24 h supplier switching. They concluded that it is not easy to find out how supplier switching is functioning in different countries. Reason is mainly in the fact that there is not enough supplier switching information in the English language. From the IT perspective, supplier switching for 24 h is possible. ERU will prepare the questionnaire for supplier switching for the next GRI SSE meeting.

4.3. Market integration AT-IT

E-control informed about the project of market integration between gas markets in Austria and Italy. The first phase of investigation has started last year and involves at the present moment just E-Control and ARERA. In a future stage, the involvement of other stakeholders is foreseen and welcomed. Two options for market integration have been investigated: the first is to have one single balancing zone, the second is to have separate national wide balancing zones but one join VTP (Hub Trading Region). The last solution is preferred because it seems to be less impactful on the existing systems. The exit and entry point of Arnoldstein/Tarvisio should be removed for shippers. The lost incomes (no booking possibilities anymore) from the removed entry and exit point can be recovered probably by applying higher exit tariffs to final customers and/or distribution networks. Inter TSO compensation mechanism should be in place for adequate functioning of this model. Pros and cons of all options for market integration are under evaluation by ARERA and E-control.

4.4. GAS NC implementation on IPs between EU and EnC TSOs

AERS presented project GAS NC implementation on IPs between EU and EnC TSOs. This project is proposed because there is a legal gap for NC implementations on this IPs. The idea is to prepare the questionnaire and send to the EU and EnC NRAs from countries where TSOs have this type of IPs. The questionnaire will contain questions about the most important issues from all NC for IPs. Sources for Report will be also ACER Report about NCs implementation in EU countries and ECRB EnC report about NC implementation in EnC countries. Report will also have recommendation for NC implementation on IPs between EU and EnC. The plan is to present Report in the spring 2020 GRI SSE meeting.

5. Progress update: NCs Implementation in GRI SSE after EC/ACER support

5.1 Progress in NCs implementation in Greece

RAE informed about the progress in NC implementation in Greece. Imbalance tolerance level is zero from January 2019. Traders without booked capacity can buy/sell natural gas at the VTP. NC CAM and NC INT are implemented. New tariff methodology in accordance with NC TAR will be published in May and implemented in 2020. There are some activities which should be done in the future: e.g., the balancing forecasting part is not defined yet. Also, although beyond the scope of the NC and thus not obligatory, an IA between DESFA and Botas (TK) has not been signed yet.

5.2 Progress in NCs implementation in Romania

ANRE presented progress in NC implementation in Romania. TSO introduce OBA with gas producers and SSO. Approach to VTP is without any restrictions. VTP transactions may be on the trading platforms or as bilateral agreements. The value of the neutrality account for balancing, which can be positive or negative, is distributed to network users at the end of each gas month. There are two types of contracts: capacity contract and balancing contracts. TSO has operated IT platform for the following processes: capacity booking, capacity transfer, nomination, matching, allocation, VTP operation, metering, GCV calculation, energy calculation, calculation of imbalances, data exchange. Booking platform is used on IPs with adjacent EU TSOs.

6. Overview of gas developments in the Energy Community

Energy Community Secretariat informed about the key EnC activities in the gas sector. Negotiations on the EnC Treaty amendments are ongoing, four NCs and REMIT are adopted on the Energy Community level in 2018. The Secretariat gave an Opinion on GASTRANS exemption and also has a case against Serbia because of restricted third party access on IP Horgos.
The deadline for NC INT transposition and implementation on IPs between contracting parties TSOs was 1 October 2018. The Secretariat prepared a report based on TSOs data and informed PHLG about NC INT implementation. From this Report, Contracting Parties only partially implemented NC INT.
The Energy Community Secretariat prepared a study for problems on IA between Ukraine and Moldova with multiple state border crossings and retail supplies delivered from the pipelines of another country. Study recommended a concept with reduced number of connection points where capacity bookings take place and enable efficient supply of retail customers in areas isolated from national networks. TSOs in Ukraine and Moldova accepted the proposed model and announced its implementation as of 1 July 2019.

7. AOB

No AOB.

8. Next meetings

The next meeting will be held in Prague in end of November or in the beginning of December 2019.