

## **Road Map towards the regional gas market among Visegrad 4 countries**

Visegrad 4 countries, namely the Czech Republic, Hungary, Republic of Poland and Republic of Slovakia, hereinafter referred to as “the Parties”,

Having regard to the Memorandum of Understanding of 31 October 2012 on gas market integration in the V4 region,

Having regard to the work programme towards the endorsement of this Road Map agreed within the framework of the Visegrad 4 High Level Group on energy security,

Taking into consideration conclusions of the Joint National Regulatory Authorities Report - *Analysis of the current state of market liquidity in the V4 region - state of play and challenges ahead*,

Taking into consideration the results of the conceptual analysis – *The Gas Target Model for the Visegrad 4 region*,

Reaffirming the need for continuous work on the development and enhancement of the key gas infrastructure in our region, based on the North-South axis,

Whereas:

- The instruments of the EU energy policy stress the need for the promotion of regional cooperation for the purpose of integrating national markets at one and more regional levels, as a step towards the creation of the liberalised internal EU gas market.
- The Visegrad Group proved to have a sufficient potential and ability for the promotion of common initiatives and priorities of Visegrad countries at the EU level.
- Sufficient infrastructure, with a special regard given to transmission capacities between V4 countries, is a key prerequisite for the foundation of any integrated market development. Through the flagship V4 project – the North-South corridor in Central-Eastern Europe - key regional priorities with regards to the gas infrastructure have been already defined. Currently the common objective is to overcome any procedural/administrative obstacles to timely implementation of priority projects, guarantee necessary funding under the new financial instrument for the key EU energy infrastructure, namely Connecting Europe Facility.
- Significant barriers to trade that impede the process of any further integration exist between V4 countries. These include inter alia different regulatory regimes, transmission rules and tariff systems, as well as distinct stages of national market liberalisation processes. These obstacles have been accurately diagnosed in the joint report on the market liquidity in V4 countries prepared by the V4 NRAs.
- In order to fully benefit from the new infrastructure in place the solid framework for cooperation on the regulatory and commercial level shall be established. National regulations and legislation should be amended in parallel to the infrastructure effort. This is the key issue in terms of future utilization of the new capacities in the region. This will also help to attract the V4 region towards the diversified external suppliers. This shall be based on the political decision being consistent with business interests and companies' strategies.

Have agreed as follows:

### **Physical integration of the Visegrad region**

1. Infrastructure development and interconnections between the V4 countries is indispensable and fundamental for the credibility of any further integration plans in the V4 region. Thus, the Parties shall take their best endeavours with regard to all defined infrastructure projects leading to creation of physical connections between the V4 countries.
2. In this respect, the Parties reaffirm their political support to ensure a timely and successful development of new, as well as further extension of existing, interconnections between Hungary, Slovakia, the Czech Republic and Poland, as identified within the North-South corridor in Central-Eastern Europe.
3. In order to ensure the consistence of the political decisions with business interests and companies' strategies the Parties acknowledge the role of the CEE GRIP (Central and Eastern Europe Gas Regional Investment Plan) and invite the TSOs to provide the Central and Eastern Europe with GRI in which they will catalogue in detail all necessary investments to develop North-South Gas Corridor.

### **Market design for the Visegrad region**

4. It shall be assumed that avoiding any proposal of active market integration would be detrimental for the development of the liberalised gas market in the region. However, the Parties share the opinion that any actions undertaken under auspices of the V4 group shall be open to different developments that may occur in the future. Thus, the Parties decide to take a stepwise, self-learning and open-ended rather than fixed approach to the process and to choose to follow what shall be considered as a "no regret" option which would at any time allow for necessary adjustments to the ongoing progress as regards the physical integration in the region and the development of all relevant potential market externalities.

5. Based upon harmonisation instruments enshrined within the Third Energy Package, taking into account all existing platforms for regional cooperation of NRAs (National Regulatory Authorities) and TSOs (Transmission System Operators) and institutional framework established therein, the Parties hereby conclude to undertake all necessary actions in order to create an optimal regulatory and business environment which will enable them to take the final decision on the advanced market model for the V4 region at the point of time when key data to devise the final strategy will be available.
6. As an initial step and a key regulatory measure within the process, the Parties hereby decide to streamline the cooperation regarding the enforcement of the EU Network Codes, based on the enhanced cooperation between NRAs and TSOs as the “no regret” option for the V4 region. However, any V4 actions towards joint implementation of the EU Network Codes shall take into consideration and result from the impetus given at the European forum to the process of early implementation of Network Codes’ provisions before they become legally binding. Such process has already started in 2012 within the Gas Regional Initiative with the launch of the Roadmap for early implementation of the Capacity Allocation Mechanisms Network Code (CAM NC) for gas which aims at fostering the early implementation of CAM NC through pilot projects at selected cross-border interconnection points in EU Member States. Based on experience gained from this first project-oriented cross-regional CAM NC Roadmap similar approach is currently discussed to be taken for the early implementation of other Network Codes.
7. Having regard the above top-down process, the Parties invite TSOs supported by NRAs to undertake a coordinated actions at the regional level targeted at most coherent and effective implementation of Network Codes. This shall include:
  - the Capacity Allocation Mechanism (CAM NC) with a particular consideration given to a common North-South bundled capacity product combining all relevant interconnection points (IPs) within the V4 region;and possible cooperation on further network codes such as:
  - the Network Code on Gas Balancing of Transmission Networks (BAL NC);
  - the Network Code on Interoperability and Data Exchange Rules (INT NC) in order to improve system interoperability within the V4 and harmonize the technical frameworks inside the V4 region.

8. With regard to high level market models considered for the integration of V4 region (i.e national market areas, cross-border market areas, trading region or market coupling), the Parties invite TSOs to perform an operational study evaluating the feasibility of multi-coupled market zones model in the V4 region. The operational study shall include analysis of legal and technical prerequisites, preliminary requirements for its implementation as well as resulting costs and benefits.
9. Should the results of operational study prove multi-coupled market zones model the best suited model to foster market integration in the V4 region it shall be considered by the V4 Ministers of Energy as a first step towards developing the final regional V4 market design .

#### **Institutional framework for the process**

10. The Parties stress the need for the efficient institutional organisation of the process of the regionalisation of the V4 gas market. The top-down approach is envisaged where the leading role is attributed to the V4 Ministers of Energy who shall provide for the necessary political impetus and shall be responsible for the decision-making on the final regional V4 market design in the future.
11. The Parties hereby establish the V4 Forum for Gas Market Integration which shall provide political support and coordination among ministries, national regulatory authorities and also transmission system operators and shall navigate the regulatory harmonisation with a goal to assist in the joint implementation of relevant Network Codes and streamlining the cooperation as regards potential for the implementation of the final regional V4 market design .
12. Details regarding the operational structure, as well as Terms of Reference of the V4 Forum for Gas Market Integration, shall be agreed by Ministries for Energy.

#### **External dimension of the V4 gas market integration**

13. The Parties hereby express their readiness to extend the framework of the V4 cooperation in field of gas market integration in particular towards Baltic States, Romania, Ukraine, Moldova and Croatia.

## Timetable of the process

	Task	Timescale	Responsible body
<b>Infrastructure</b>	<b>Central and Eastern Europe Gas Regional Investment Plans (CEE GRIP) agreed</b>	<b>06.2014</b>	<b>TSOs</b>
	<b>Implementation of the key interconnection projects in the V4 region</b>	<b>2017/2018</b>	<b>TSOs</b>
	Poland-Slovakia (subject to FID)	2017/2018	GAZ-SYSTEM S.A./ Eustream, a.s.
	Slovakia-Hungary	2015	Eustream, a.s. / Magyar Gáz Transzít Zrt.
	Poland-Czech Republic (subject to FID)	2017/2018	GAZ-SYSTEM S.A. / NET4GAS, s.r.o.
<b>Institution</b>	<b><i>V4 Forum for Gas Market Integration established</i></b>	06.2013	V4 Summit
	<b>Approving the operational structure and Terms of Reference for the <i>V4 Forum for Gas Market Integration</i></b>	10.2013	Ministers of Energy
<b>Regulatory framework</b>	<b>Actions towards joint implementation of the EU Network Codes initiated:</b> <ul style="list-style-type: none"> <li>– Capacity Allocation Mechanism</li> <li>– Gas Balancing of Transmission Networks</li> <li>– Interoperability and Data Exchange Rules</li> </ul>	as from 2014	TSOs (with NRAs)
	<b>Operational study on market coupling in the V4 region agreed, including the following elements:</b> <ul style="list-style-type: none"> <li>– the description and design of the North-South bundled capacity product to be offered to the market</li> <li>– Form, main milestones and timeline of the V4 market coupling</li> </ul>	06.2014	TSOs (with NRAs)
	<b>North-South bundled capacity product offered to the market</b>	2015	TSOs (with NRAs)
	<b>Decision on the steps forward in the view of the final V4 market design</b>	06.2014	Ministers of Energy