Energy Regulatory Office

ACER Agency for the Cooperation of Energy Regulators

Autorità per l'energia elettrica e il gas

21th Regional Coordination Committee Meeting

GAS REGIONAL INITIATIVE – SOUTH SOUTH-EAST

Warsaw, 28 May 2013, 14:30-16:30

ERO premises, 64 Chłodna Str., Warsaw

DRAFT MINUTES

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	Surname	Name	Organisation
1	BEDNARCZYK	Jakub	URE (PL)
2	BRLECIC	Hrvoje	HERA (HR)
3	BUZAR	Joanna	URE (PL)
4	CARNEVALINI	Rosita	AEEG (IT)
5	DE MIGUEL	Juan	ACER
6	KAŹMIERSKA	Aldona	URE (PL)
7	KOROSI	Tamas	HEA (HU)
8	KRUG	Markus	E-Control (AT)
9	LO NARDO	Tiziana	AEEG (IT)
10	NEHREBECKI	Andrzej	URE (PL)
11	OSRAJNIK	Aleš	AGEN (SL)
12	STARĘGA	Katarzyna	URE (PL)
13	SVOBODA	Martin	ERU (CZ)
14	SYROKA	Maciej	URE (PL)
15	TAMÁSKA	Jozsef	HEA (HU)
16	WOSZCZYK	Marek	URE (PL)
17	ZAPART	Marta	URE (PL)

The meeting opened at 14:30 with Marek Woszczyk (URE, Poland) and Rosita Carnevalini (AEEG, Italy) in the Chair.

1 Opening

Mr. Woszczyk and **Mrs. Carnevalini** welcomed the attendees. The minutes of the 20th RCC meeting were approved as well as the agenda of the 21st RCC meeting.

2 Updates from SSE Countries

Before opening the roundtable, **Mr. Woszczyk** informed the participants that following Croatia's membership to the EU in July 2013, the former will automatically change its status from observer to member of the SSE GRI.

Mr. Nehrebecki from **URE** informed on the latest developments of the gas markets in **Poland**. On 1 January 2013 the new Transmission Network Code (TNC) came into force introducing a number of changes on the Polish gas market concerning, among other things, methods for contracting transmission services, balancing and trading rules. The new TNC introduced also a VTP that paved the way to the creation of a gas exchange in Poland, namely POLPX, in charge of the management of both a spot and a forward market. The mentioned gas exchange was launched in December 2012 following a fruitful cooperation between URE and the TSO, Gaz-System. The national Parliament is currently working in order to introduce a law imposing upon the undertakings with a significant market share the obligation to sell gas on the gas exchange. Gas utilities will be required to sell an incremental share of their gas into the natural gas exchange up to 70% of their production and import by the end of 2013. Moreover, he reported that the implementation of the Third Energy Package is on-going and that gas traders are not compelled anymore to submit for approval tariffs to trade gas in the wholesale gas market as it was in the past. Additionally, he pointed out that an improvement of the customers' switching rate as well as an increase of market transparency has been registered in the last period. Finally, a brief mention was made to the project for the early implementation of the CAM NC at the interconnection point of Lasów (between Poland and Germany) with reference to which it was announced that on 3 June the first auctions of quarterly capacity products were planned to take place through PRISMA.

Mr. Svoboda from **ERU,** explained that they are currently evaluating how to develop further the GATRAC project which, for the time being, is not part of the CAM Roadmap. Moreover, he reported that among their priorities there is also the CAM and CMP implementation and informed about an on-going public consultation on the implementation of the CMP rules in the **Czech Republic** with a deadline for sending comments on 7th of June. Finally, he informed that following the sale of RWE's 100% stake in Net4Gas (the national TSO), the regulatory authority is assessing whether re-opening the certification procedure of the said TSO which was already certified as ITO.

Mr. Osrajnik from **AGEN**, informed on the last developments of the gas markets in **Slovenia**. He reported first, about the implementation of the entry-exit system in the country. Secondly, he informed that in the last quarter of 2012 new suppliers entered the gas market with a positive effect on customers' switching rate. Additionally, he informed that starting from this year the new regulatory period for gas transmission tariffs will have duration of 3 years. Finally, he reported about the delay of the emergency plans foreseen by Regulation No 994/2010 which are intended to be implemented by autumn 2013 and he outlined that 3 projects relevant for Slovenia out of the 5 proposed entered the regional list of Projects of common interest (PCIs).

Mr. Krug from **E-Control** announced that as of 1 January 2013 an entry-exit system has been introduced in **Austria** together with some changes to the balancing system. E-Control is currently monitoring the system and made a small update at it in April 2013. Further changes to the system rules are expected in autumn 2013. Moreover, Mr Krug informed that Nabucco Gas Pipeline International GmbH has announced the launch of the open season process for capacity booking in the said pipeline. The first phase of the open season process is envisaged to be concluded by the end of Q2 2013. Following the successful conclusion of this phase, shippers will be invited to submit binding bids. The initiation of the binding bid phase is foreseen to take place in Q3 2013. Additionally, he explained that out of three certification procedures only one was successful and two TSOs' certification decisions were rejected by the Commission as the TSOs concerned did not prove to have sufficient resources to be qualified as ISO. Finally, he concluded reporting on the successful outcome of the first auctions of bundled capacity products at the Buamgarten IP which took place through PRISMA on 1 April.

Mr. Brlecic from the **Croatian Regulatory Authority**, informed on the latest changes occurred in the market's design in view of the accession of the country to the EU planned in July 2013. First, he reported that the Third Energy Package was implemented in March 2013 and that further changes to the regulatory framework are expected by September. In particular, he outlined that wholesale price regulation has been abolished and that interconnectors have been strengthened. Also the entry-exit system has been completed although the implementation of the latter is still to come. Concerning the Croatian LNG terminal, the feasibility study shall be finalized within a month. Finally, TSOs have started applying for certification and it seems that there are no obstacles foreseeable at this stage.

Mr. Tamáska from the **Hungarian Regulatory Authority** announced that as of April of this year the regulatory authority changed its name into Hungarian Energy and Public Utility Office (HEA) and is not any more under the remit of the government, thing that will increase further its independence. As regards the market conditions, he informed that due to the approaching expiration date of the gas long term contracts, which will be prolonged until 2015, the Ministry has started a reflection and a public debate on the energy vision post-2015, in order to secure gas for the country. Moreover, he pointed out that due to the decrease of the domestic gas consumption level there has been a certain upwards pressure on the tariffs level. The important novelty is the launch of the Hungarian Gas Exchange (CEEGEX) on 1st of January. Finally, he reported briefly on the current project with Romania for the early implementation of the CAM NC which is proceeding smoothly in accordance with the planned schedule. Following a sound cooperation between both TSOs and NRAs on the HU-RO project, HEA plans to undertake similar contacts with Croatian and Slovakian partners for the set-up of new projects.

Mrs. Lo Nardo from **AEEG** gave an update on the main developments occurred in **Italy** in the last months. She first explained that AEEG is currently undertaking a review of the gas reference price system which will gradually take place in different steps (the first stage took place in April and the second one will occur in October) following an extensive consultation undertaken in the course of 2012. The reform foresees that long term contracts (take or pay contracts) will not be any more used as a basis for the calculation of the gas price component related to the procurement of the raw material, to the contrary, such calculation will be fully based on the gas prices registered in the spot market as of October 2013. The reform also foresees a specific mechanism to incentivize retailers to renegotiate their long term contracts. Moreover, she informed that a consultation for the definition of the gas distribution and transport tariffs for the new regulatory period is currently underway. The consultation lays the ground for a reform of the current tariffs system which will allow, among other things, the attainment of the objectives laid down in the Directive on energy efficiency, a better use of renewable sources and a demand management.

3 Report from ACER GRI coordination meetings

Mr. De Miguel from **ACER** recalled first the main activities and priorities carried out by the GRI Coordination Group, namely, (i) the early implementation of the CAM Roadmap, (ii) the potential early implementation of other Network Codes beyond CAM in response to the request made in this respect by the XXIII Madrid Forum, (iii) the follow up of the work carried out at regional level and (iv) the reporting activity of such work through the Status Review report on Regional Initiatives and the GRI Quarterly reports. With reference to the first work area, he reminded the objectives of the CAM Roadmap and its governing structure. He also pointed out that soon the CAM Coordination group will start gathering information on new CAM NC's implementation projects per IP and review the issues raised so far by the participants to the ongoing pilot projects related to the CAM NC implementation. With respect to the second work area, following a reminder of the conclusions of the XXIII Madrid Forum (16-17 April 2013) and of the endorsement received by ACER BoR to start considering the early implementation of the balancing Network Code, Mr De Miguel informed that discussions with NRAs on this point have already started in the framework of the GRI Coordination group as well as with TSOs represented by ENTSOG, in order to assess the opportunity and the appropriate timing to begin this type of initiative. In relation to the work areas (iii) and (iv) it was outlined that the work carried out within the gas Region is tracked in different ways such as in the context of the GRI Coordination Group, the Regional work plans and the Madrid Forum and that the outcome of such work is in turn reflected inside ACER Reports. Mr De Miguel concluded, informing that at the coming meeting of the GRI Coordination group on 25 June one of the topics under discussion will concern the future strategy of the GRI.

4 Report on CAM NC early implementation

Mrs. Carnevalini from **AEEG** reminded first the conclusions of the XXIII Madrid Forum underlying, in particular, the invitation made by the Forum to ACER and ENTSOG to continue the work started in the context of the CAM Roadmap in close cooperation with the relevant stakeholders. Additionally, a brief summary was made of the topics discussed at the occasion of the CAM Coordination group and CAM Stakeholders group meetings held on 6 March 2013. Among the issues reported which might have an impact on the implementation of the CAM NC, the following were in particular mentioned: (i) the existence of different currencies or time zones at each side of the interconnection point (IP) concerned by a CAM NC implementation project, (ii) the recognition by NRAs of the costs borne by TSOs in the allowed revenues in the different countries, (iii) the existence of different licenses required to trade gas at each side of the IP concerned. However, it was concluded that for the time being no severe issues are identified which could seriously hamper the implementation of CAM NC provisions.

During the discussion Mr Krug, explained that at the IP of Oberkappel the bundling of capacity is only possible along the direction from Germany to Austria as in the opposite direction there is no spare capacity. Moreover, he informed that TSOs from Hungary and Austria are currently evaluating the opportunity to start bundling capacity at IPs between the two countries. NRAs of both Member States will follow up on that. Additionally, Mr Tamáska reported that an interconnector between Slovakia and Hungary is currently under construction and it is expected to be finalized by 2015. He added that once the interconnector will be in place, the capacity is foreseen to be offered directly as bundled. Finally, it was explained first, that at the IP of Cieszyn firm capacity is currently offered in an unbundled form, although there are ongoing talks between adjacent TSOs on the way to bundle capacity in the future and, second, that by the end of this year a physical reverse flow will be possible at the Mallnow IP between Poland and Germany.

5 Enabling Market Integration

Mr. Krug reported the latest news on the project concerning the creation of a Central-Eastern European Trading Region (CEETR). In particular, he explained that the project did not enter yet the implementation stage as a cost-benefit analysis has still to be carried out in order to assess the opportunity to execute such project. To this purpose, a project planning workshop is foreseen in June 2013 followed by a kick-off steering committee in July in order to gain more information and discuss several topics like capacity models, tariffs models, contracts, etc. He concluded underlying that CEETR is an open project and Member States and TSOs are invited to joint it.

Mr. Woszczyk briefly explained the milestones of the V4 project aimed at promoting the gas market integration in the Visegrad Region. He pointed out that such project is politically driven by the Polish Ministry of Foreign Affairs and it partly covers the same countries as the CEETR project (namely, Slovakia and Czech Republic together with two additional Member States that are Poland and Hungary). However, differently than the CEETR project which bases the creation of a Trading Region on existing infrastructures of the area covered, the V4 project is mainly focused on the creation of a new physical infrastructure crossing the countries of the Visegrad Region. As a consequence, the two projects appear complementary. Moreover, after a brief explanation of the calendar and different steps of the above project, it was announced that on 16-17 June a V4 Summit will take place in Warsaw at the occasion of which the relative project's Roadmap towards the V4 regional gas market is expected to be endorsed by the V4 Prime Ministers.

A discussion on the correlation between the two projects followed and Mr Krug suggested that it would be advisable to ensure proper flow of information and coordination between the two projects given the apparent links between them. Mr. Woszczyk concluded by inviting the NRAs involved in the two mentioned projects to keep one other informed about the developments of those projects.

6 Early implementation in other areas

Mr. Woszczyk invited the NRAs' representatives present to the meeting to express their views on the opportunity to start the early implementation of new Network Codes such as those on balancing and interoperability. In reaction to this request, some NRAs' representatives (from Poland, Austria, Czech Republic and Hungary) pointed out that there are currently not sufficient resources to start this type of activity and that at the moment CAM and CMP implementation are on top of TSOs and NRAs' priorities. Moreover, it was outlined that compared to the CAM NC the one on balancing is more national in nature.

7 Infrastructure projects in the SSE Region

Mrs. Carnevalini opened the debate on the role and the type of involvement of the GRI SSE with respect to the infrastructure projects involving the Region. In this regard, it was indeed explained that a reflection on this topic is necessary given that Regulation 347/2013 on guidelines for trans-European energy infrastructure prescribes the creation of Gas Regional Groups in charge to draft a preliminary list of regional PCI whose composition does not coincide with that of ACER Gas Regions. Moreover, also the scope of regional corridors established by the mentioned Regulation does not overlap with the geographical scope of the GRIPs of ACER Regions. Against this background, it was suggested that the SSE Region could be a forum where NRAs and TSOs exchange views and experiences concerning infrastructures projects as well as discuss the impact of PCIs (once the relative list will be drawn up by the Commission) on the security of supply and market integration of the Region.

8 Security of supply

Mr. Woszczyk introduced a brief discussion on this topic, pointing out that security of supply is still at the heart of the SSE Region's priorities, although in many Member States this competence lays with the Ministry instead of the Regulator (an exception in this regard is represented by Hungary). Also in this respect it was suggested to take advantage of the regional working arrangements to discuss and share national practices on this matter. During the debate Mr. Krug also proposed to discuss at the earliest opportunity about supply standards applicable in the different Member States of the Region.

9 AOB and Next meetings

The next RCC meeting will take place in Milan in December. The exact date will be communicated later.