**32nd Regional Coordination Committee Meeting**

**GAS REGIONAL INITIATIVE – SOUTH SOUTH-EAST**

**29 November 2017, 14:00 – 19:30**

**5 Terazije, I floor, Belgrade, Serbia**

**AERS building**

**Draft Minutes v1**

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| Link to meeting documents: <http://www.acer.europa.eu/Events/32st-Regional-Coordination-Committee-RCC-Meeting/default.aspx> |

**Participants**

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| **No.** | **Surname** | **Name** | **Organisation** |
|  | Backes | Markus | European Commission |
|  | Bundeleski | Slavko | ERC |
|  | Cioffo | Vincenzo | AEEGSI |
|  | Cvetković | Mileva | AERS |
|  | Denceva | Sirma | EWRC |
|  | Dimitrov  | Milen | EWRC |
|  | Flak | Katarzyna | URE |
|  | Galletta | Riccardo | ACER |
|  | Garcia-Gimenez | Joaquin | ACER |
|  | Gazi | Evanglia | RAE |
|  | Grall  | Nina | EnC Secretariat |
|  | Hesseling | Dennis | ACER |
|  | Ischia | Alessandro | E-Control |
|  | Korosi | Tamás | HEA |
|  | Lont | Pawel | EFET |
|  | Marsenic-Maksimović | Branislava | Energy Community Secretariat |
|  | Maksimović | Petar | AERS |
|  | Nedeljko | Vinko | AGEN |
|  | Popadic | Aleksandar | AERS |
|  | Selavardeanu | Cristian | ANRE |
|  | Shuli  | Maksim | ERE |
|  | Smolović  | Sonja | REGAGEN |
|  | Spasić | Ivana | AERS |
|  | Tubin-Mitrović | Branka | AERS |

**1. Welcome; Approval of the Agenda and Minutes**

Co-chair Mr Popadic welcomed the participants on behalf of the organizer co-chairs AERS and HEA.

Mr Hesseling from ACER welcomed all participants noting that this is the first ACER meeting in an Energy Community country. The topics to be discussed during the meeting were the main barriers to the trading in the region, what needs to be changed in order to overcome these barriers and the way forward.

The agenda of the current meeting has been approved.

Proposed changes of the last meeting minutes were adopted. No additional comments were given. Minutes are approved.

**2. Briefing on recent developments at ACER level**

**2.1. Updates from Madrid Forum**

Representative of ACER gave information about recent developments and activities of ACER. In Madrid forum EC announced change of Gas Directive, that could be small changes in the law but important for some pipelines. These changes will go to a regular procedure and they do not apply to upstream pipelines. ACER Market monitoring report is also available on their website. A focus is on barriers to trade in the region. EC in its process of evaluating the gas market model launched a Quo Vadis study, in order to envisage some of the future possible ways forward. Consultancy proposed several scenarios. One new approach is simplification of transmission tariffs. The entry capacity prices to be applicable at IPs at entry points to EU and exit capacity price on exit from national transmission system to DSO or to final customer. Proposed changes should be treated with caution. This Study is to be presented in Brussels 13th of December. Regarding network codes, ACER‘s focus is currently on balancing. ACER also had interesting exchange with ENSTO-G about data quality. They all are expecting better data in 2019. Representative of AERS raised a question on proposing completely new tariff methodologies in situation when new NC TAR has just recently been adopted, which is a concern other stakeholders share as well. Consultants doing the study are just going to give their opinion which is not obligatory and after reviewing the results EC will decide what to do. It might seem premature but they want to be ready if changes are needed but these proposals definitely do not need to be implemented as such.

**2.2. ACER GRI coordination group – updates**

ACER coordinates regional initiatives. Additionaly to SSE Europe region, Portugal, Spain and France are south region and they prepared reports about infrastructure and their TSOs are very active in preparation of reports. Another region is Baltic region, which is an unofficial region.

Mr. Backes from EC informed the participants about the latest CESEC developments at the end of September. There was a conclusion from the meeting to discuss licensing process simplification which received political support of ministries. EC is trying to link and support processes. Over the couple months, EC organized Network Code implementation Workshops in Bulgaria, Romania and Greece to make sure that NCs in gas are really and smoothly implemented. Together ACER and ENTSO-G worked together on entry-exit methodology in Romania, and on establishment of reverse flow in Transbalkan pipeline. Western Balakan is small gas market and transmission tariffs could have very high impact. Within CESEC initiative, EC is following infrastructure projects like Bulgaria-Serbia interconnector. About the proposed amendment of Gas directive, some of the Member States thought that they have to renegotiate agreements with third countries. But there is not going to be need to renegotiate anything with third countries if pipelines are not offshore. For onshore pipelines, there is a clear cut.

Mr. Hesseling indicated that, due to the expected workload (mainly driven by the Tariff reviews) and the limited resourced the Agency has, they will only be able to support one GRI SSE meeting in 2018. Of course, the region is free to organise more meetings, only that would be without ACER support.

**2.3. 2016 MMR analysis on barriers to gas wholesale trading**

According to ACER Market monitoring report for 2016 gas supply costs in EU continue to decrease and converge. The reasons for these are oil indexation, more competition in wholesale trading but also more competition in upstream part. Another conclusion is that markets have more favorable prices in 2016 because of oil indexation in gas prices. Retail price additional to wholesale prices has commodity taxations and network price included.

Another analysis ACER performs is about the status of hubs in different member states. ACER analyses hub prices, availability of products, types of contracts. To sum up, there are two leading hubs - British and Dutch, and they are far away in front of others. They offer more liquid forward products. Another group of markets are Germany and France. In SSE Region, Italy, Austria and Czech hub liquidity shows an upward trend. In Poland, the hub shows some improving performance but most liquidity comes from gas releases. In Hungary and Slovakia, traded volumes surged year by year, albeit from a low base. The whole market model relies on hubs and this is why the level of their functioning and their operation is very important. The development of liquidity in hubs is a process. Balancing obligation in systems around the hubs is beneficial, this is why balancing regulation is good for the hubs.

ACER concluded that hub prices in North West region are more converging and they also correlate better. There are situations when sometimes hub prices difference falls below transmission tariff. Price differences are influenced by transmission tariff but also by competition. There is room for higher prices convergence as a conclusion.

Looking at hub products in general, month ahead is the mostly used hub product, it gives forward liquidity.

ACER engaged consultants to conduct a study about market barriers. They also conducted interviews with 25 stakeholders. Barriers at some markets are more or less severe. Many of these barriers are connected to infrastructure issues and they reflect high multipliers of transmission tariffs.

ACER also analyzed market concentration levels. Analysis of the so-called healthy zone explains how the situation about market concentration can be improved and whether there should be a market coupling for instance for Slovenia or Bulgaria.

**2.4. Reactions to barriers analysis**

With reference to market concentration levels, the representative of Slovenia said that maybe they apply different methodology in calculating HHI because they calculated HHI 35% lower than ACER. However, he agreed that the wholesale market in Slovenia is highly concentrated. There is no exchange in Slovenia. Even if exchange would be established, liquidity would be very low because the market is too small. Slovenia has VTP and trading platform but only 4-6 players use it. One solution might be the market integration. Thus the NRA launched the self assessment study, one part of this study is a study on possible market integration and was commissioned to REKK. Market integration options analyzed in the study are the market integration with Austria, Italy, Croatia and Hungary. New tariff code implementation will solve the market barrier of high short-term multipliers.

In Poland, regulatory transparency can be improved although some legislative changes have been done in past months. The number of market players has increased in the last period, and the number of licensees has increased significantly in the last 5 years. There are about 200 license holders for domestic trade and more than 50 for distribution system operation, one big DSO and 50 local and small scale.

Мs. Flak explained the basic rules of licensing regime in Poland in the field of gas trading. She said that the requirements for obtaining the license are stipulated in the law and President of ERO is obliged to obey this law. These requirements are the same for all market players. Licenses are important because they pose a guarantee for other market participants and consumers that only companies with stable financial standing will perform the given activity. ACER suggests that this is maybe appropriate for retail but not wholesale. The regulation in Poland is such that if the financial situation of company is bad, the regulator is obliged to withdraw the license. They consider licensing necessary as a way to check credibility of traders. In the licensing process URE has faced the number of dishonest companies attempting to manipulate financial data. For these reasons, it seems necessary to maintain the license obligation. EC considers this as a matter of handling the risk, so they asked if there are other means to deal with risk aside licensing. Poland replied that changing of license regime requires comprehensive changes in Polish law and requires the involvement of certain ministers. In addition, licenses are an element of the state's economic policy. Regulator in Poland checks this credibility once, when license is issued, but if they receive the information that something has changed they are authorized to monitor and check credibility regularly. With reference to storage obligation Polish Regulator sent many comments and suggestions to Parliament in order to amend the Law, but they were not taken into account.

In Hungary, regulatory transparency should be improved further. 60% of average consumer consumption at the beginning of heating season has to be kept on stocks for the SoS reasons. ACER suggests there might be other mechanisms to secure SoS because 60% constitutes financial burden. Taxation is not in the competence of the regulator, but they can make proposals to modify tax system. ACER noticed high multipliers for transmission tariffs, and regulator can consider this comment.

In Romania, there is no proper functioning VTP and they already work on this topic. The access to VTP is possible only if transmission is contracted and this condition should be removed. They are working on different interconnection projects with neighboring countries. ACER noticed that according to the study their tariffs are not transparent while regulator considers them transparent because their pricing methodologies are published. At the moment, in Romania, all entry points have the same tariff and all the exit points have the same tariff.

In Bulgaria, there is also no proper functioning VTP. TSO established VTP, but there is one dominant shipper. From 1st of October 2017, they applied entry-exit tariffs. Their Energy Law does not require licensing for trading. Market concentration exists since they have one dominant shipper with 97% of market supplied by one shipper with gas coming from Russia. They have just interruptible capacity at IP BG-EL because of long term contract with Gazprom. TSO is offering daily products from January 1st 2018. Pricing methodologies are public.

In Greece, they expect to have VTP in next a few moths. They have reverse flow with Bulgaria but it has not been booked yet. Tariff methodology is clear, been through public hearing, so they do not understand the comment from the study about lack of information about tariff methodology applied by the NRA. According to the Greek Law, 75% of costs of LNG is socialized to network users so the rest 25% is not comparable with entry points from Turkey and Bulgaria. The usage of LNG was very low, less than 20%, but they will start building a new LNG terminal in 2018.

In Austria, transmission tariffs are above market spreads but they consider themselves as not the only ones with this situation. They expect to go through the topic of balancing in the future. Transparency on tariff methodologies and consultation mechanism has to be enhanced, they hope they will oblige the TSO to reveal information. Heavy reporting obligation could be the case in Austria, but the regulator did not make any further comments on it.

In Italy, they hope liquidity corridor to solve the issue of transmission tariffs higher than market spread. They have high storage obligations. Difficulties in license obtaining exist but they do not consider it a barrier, because if requests are fulfilled everyone gets a license and the conditions are the same for everyone.

**3. Updates on Gas Regional Initiative developments**

**3.1. Update on recent national issues – round table**

Greece has a new balancing platform.

In Poland, abolishment of regulated retail tariffs is introduced, except for households. They performed this gradually. There is an Open season procedure for Baltic project and the result is positive- they had economic test done by TSO with a positive result.

In FYR Macedonia, they are preparing new Energy Law to implement the Third Energy Package. They hope it will be finalised this year and next year they will prepare secondary legislation.

In Albania, there is no market. They approved tariff methodology and finished certification. They are working on TAP network code.

In Slovenia, market is concentrated and small. They are conducting a study about regional market integration.

In Serbia, TSOs of Serbia, Bulgaria, Romania and Hungary are discussing possible interconnections.

In Hungary, there are negotiations considering RO-HU-AT project. For HU-SLO interconnector, there are ongoing negotiations between two TSOs. Regarding new SoS regulation, they are working on legislation amendments, Gas Law and other legislation.

In Montenegro, new Energy Law was adopted in 2016, it includes all the provisions from the Third Energy Package. They work on secondary legislation with consultants.

In Romania, they are changing gas day in line with CAM NC, now it is from 6 to 6 clock and it was from 7 to 7. ANRE will set methodology for neutrality charges.

In Italy, for the first time Italian regulator will approve TYNDP, next month.

In Bulgaria, interconnection agreements were signed.

**3.2. GRI Co-Chairmanship**

Hungarian representative proposed that Hungarian chairmanship could be overtaken by Czech colleagues. It was not confirmed because of Czech colleagues‘ absence.

**4. GRI SSE Work Plan 2015-2018**

**4.1. ROHU – (AT) incremental capacity**

Mr. Ischia (E-Control) explained the current status of ROHU-(AT) project. RO-HU, HU-AT and HU-SKAT project demand assessment performed in June 2017 showed that shippers still have interest to ship gas from RO to AT. Whilst the project RO-HU-AT was stopped, NRAs of Hungary and Austria started the incremental capacity procedure according to the provisions foreseen in the CAM NC. In addition, in Q4 2017 a demand assessment report showed market interest for gas flowing from HU through SK to AT. This route will be subject to an alternative allocation procedure whereas HU-AT is incremental capacity project. The timing for both projects should enable shippers to align their bookings with the results of ROHU OS. .

**4.2. AT-CZ market integration**

There is no IP between AT and CZ. Joint working group between ERÚ and E-Control and the TSOs (Net4Gas, GCA and TAG) was established in 2014, and they analyzed different market integration models. Trading region upgrade is a hub-to-hubproduct offered by the TSOs as a service that entitles system users to nominations for exit from the Austrian eastern market area and immediate matching entry into the Czech market area and vice versa. Product offered would be yearly capacity and discussed start of service presumably on 1 January 2018. A very limited amount of capacity of about 10.000 Nm3/h will be offered in both direction.

**4.3. Concept paper on Licensing**

Project was initially envisaged to be developed between V4 countries. Objectives of the project are to develop a proposal of minimum criteria that can be supported by all regulatory regimes in the field of natural gas wholesale trade licensing in the GRI SSE region. The aim of the project is to minimize administrative burdens to cross-border wholesale trade and maintain sufficient regulatory supervision for all concerned NRAs. Mutual recognition of licenses requires necessary amendments of legal background and there is no general solution for this amendment actions because of different regulatory regimes. NRAs are not in the position to amend the national Acts and Decrees because that is the task of the Ministries. Project will be continued in cooperation with the Energy Community Secretariat under the CESEC banner, thus involving ministries as well.

**4.4. Bundling of capacity at BG-GR IP**

Two TSOs decided jointly to use RBP platform in 2016 and, that same year, first auctions took place. In 2017, reverse flow was offered and the second version of IA was signed. DESFA is the responsible party for the operation of the measurement and flow control equipment. BULGARTRANSGAZ is the initiating TSO and DESFA is the matching TSO. Methodology for calculation of interruptible capacity is published at DESFA website. The issues that still have to be aligned between the two TSOs are joint dynamic recalculation of technical capacity, compatible congestion management procedures (on the Bulgarian side just FDA UIOLI) and issues regarding interruptible capacity products.

**4.5. Survey on storage and LNG**

Representatives of AEEGSI and E-control presented the content of the draft questionnaire structure that refers to LNG and storages infrastructure, services and tariffs. The goal is to carry out the survey during the first quarter of 2018 and to present the outcomes at the next GRI SSE meeting.

**5. Progress update: BAL NC Implementation in GRI SSE**

**5.1 Presentation of BAL Implementation Monitoring report**

Analysis was conducted on 7 balancing zones to see if balancing regimes are functioning effectively, given the local circumstances. Daily data collected covered TSO’s balancing activities (volumes and prices), users imbalances (volumes and prices), volumes of daily opening linepack where available. Analysis of these data revealed neutrality quantities, cashflows and net positions, linepack changes against cumulated commercial imbalance position changes. This assessment carried out in 2017 showed improved compliance at regional level and only in few cases the implementation level was considered insufficient. GRI SSE countries assessments showed progress compared to 2016. While some countries still apply interim measures, there is a risk not to meet the legal deadline (April 2019) if functioning platforms do not start operations soon.

**5.2 Reactions on BAL Implementation Monitoring report**

It is agreed that the reactions on BAL Implementation Monitoring report will be reported from NRAs during tomorrow GRI SSE SG meeting since this is behind schedule.

**6. Overview of gas developments in the Energy Community**

Being behind schedule, Ms. Grall from Energy Community Secretariat offered that she will hold her presentation on the stakeholder group meeting the following day.

**7. AOB**

Mr. Kőrösi informed the meeting participants about his retirement at the end of this year. He will be active only in natural gas SOS area as a consultant. Mr. Hesseling thanks Mr. Kőrösi for his previous work in GRI SSE.

**8. Next meetings**

The next meeting will be held in May 2017. Meeting place will be defined lately.