Overview of gas sector developments in the Energy Community

Energy Community Secretariat | ECRB Section

ACER GRI SSE SG meeting - Prague, 27 November 2019

Energy Community Gas Acquis

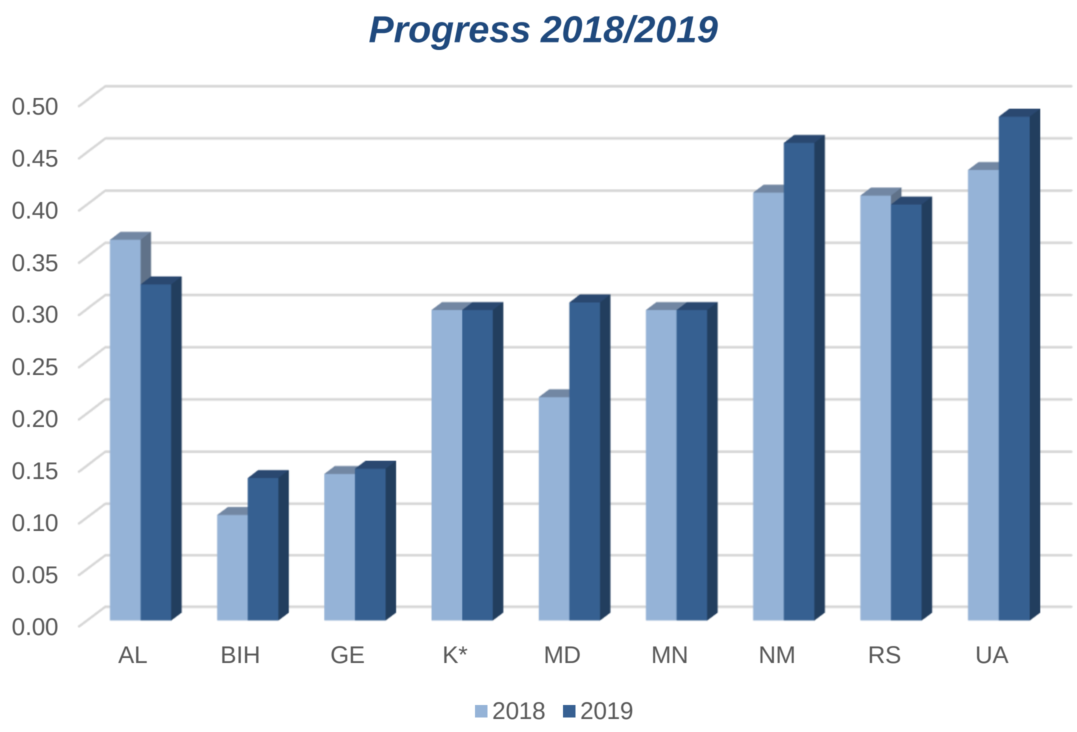
- Directive 2009/73/EC & Regulation (EC) 715/2009 (1 January 2015 / Georgia: end 2020)

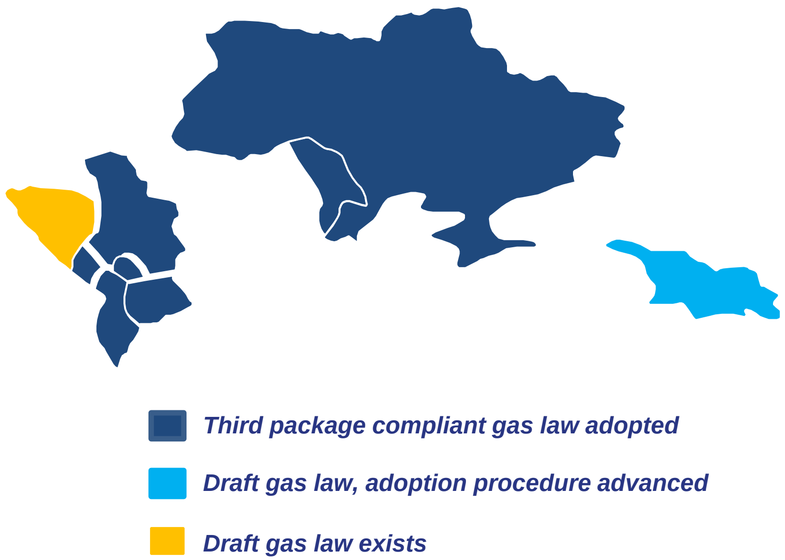
- Regulation (EU) 703/2015 on ***Interoperability and Data Exchange*** and Guidelines on ***Congestion Management Procedures*** (annex to Regulation 715) (1 October 2018)

- Regulation (EU) 2017/459 on ***Capacity Allocation Mechanisms***, Regulation (EU) 2017/460 on ***harmonization of Tariffs*** (foreseen deadline by the Feb 2020)
  - First annual yearly capacity allocation scheduled for 1 July 2020, auctions for short- term capacity as of March 2020
  - Incremental capacity procedure from 2021

- Regulation (EU) 312/2014 on ***Balancing*** (discussion on adaptation finalised, to be adopted in Dec 2019)

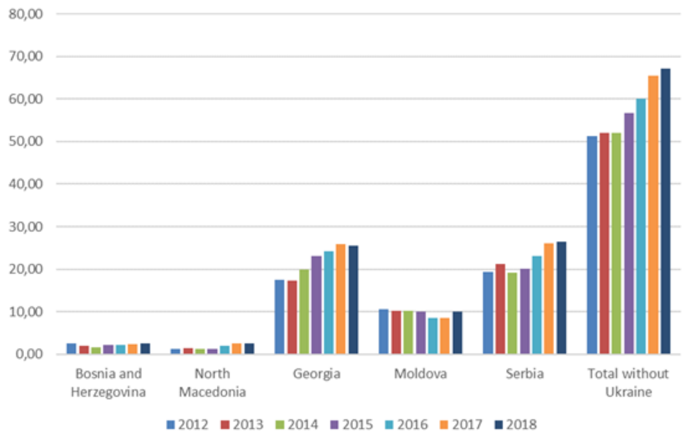
Gas Acquis Implementation Ratio



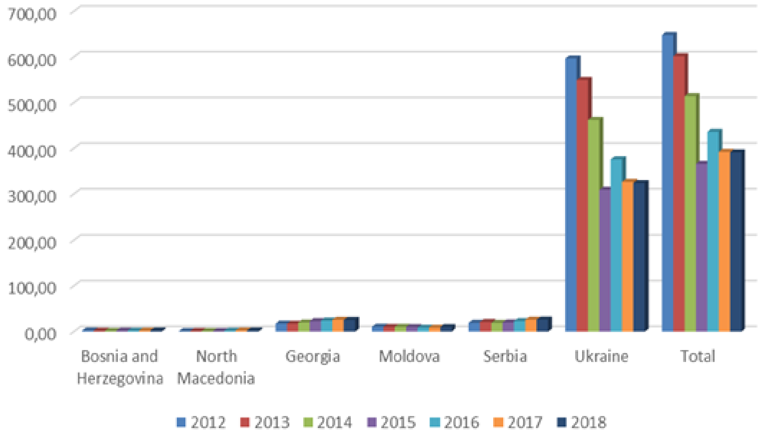


Market developments- demand

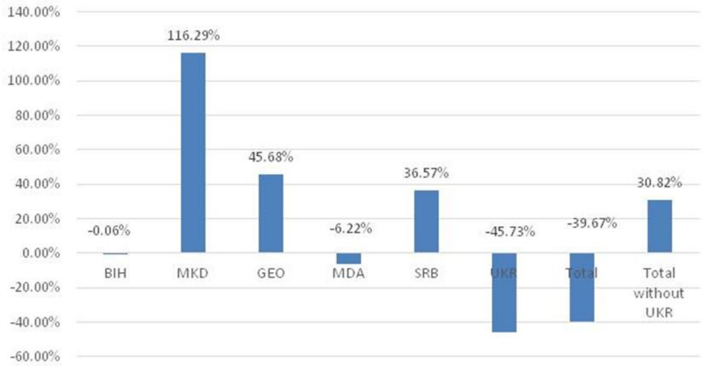
Gross inland consumption (in TWh) – w/o Ukraine



Gross inland consumption (in TWh) – with Ukraine



Gas consumption growth rates 2018/2012



Market developments- wholesale

Contracting Party	Number of shippers at IPs
Bosnia and Herzegovina	2
Georgia	Azerbaijan- 1 Azerbaijan SCP- 2 Russia- 1 Armenia- 1
Moldova	2
North Macedonia	2 shippers and 2 companies buying directly on IP
Serbia	Hungary- 4 Bosnaia and Herzegovina- 3
Ukraine	65

Country	Herfindahl- Hirschmann Index
Georgia	5,047
Moldova	10.000
North Macedonia	3,317
Serbia	7,727
Ukraine	5,088

In UKR, there are only 2 companies selling at least 5% of available gas/gross inland consumption (dominant player has 70%)

Market developments- retail (1)

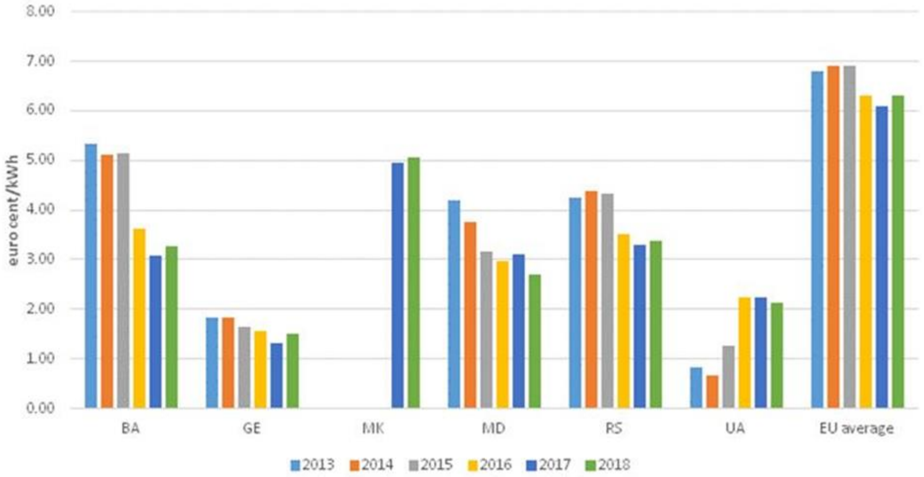
	Number of licensed gas suppliers	Number of active gas suppliers	Number of active gas retail suppliers licensed nationwide
Bosnia and Herzegovina	7	4	2
Croatia	54	45	45
Georgia	There is no license for retail gas supply	31	31
Greece	49	21	21[1]
Moldova	15	11	1
North Macedonia	10	8	1
Serbia	68	39	28
Ukraine	513	234	234

	Number of gas retailers selling at least 5% of total gas consumed by final customers	Market share of the 3 largest companies in the retail market (aggregated) in %	Estimated incumbent market share in the household market, in % of annual consumption
Bosnia and Herzegovina	3	100%	100%
Croatia	5	60.64%	98.05%
Georgia	3	82%	99.2%
Greece	6	74.19%	58.42%
Moldova	1	99.55%	100%
North Macedonia	4	100%	100%
Serbia	1	86.70%	100%
Ukraine	3[1]	71%	100%

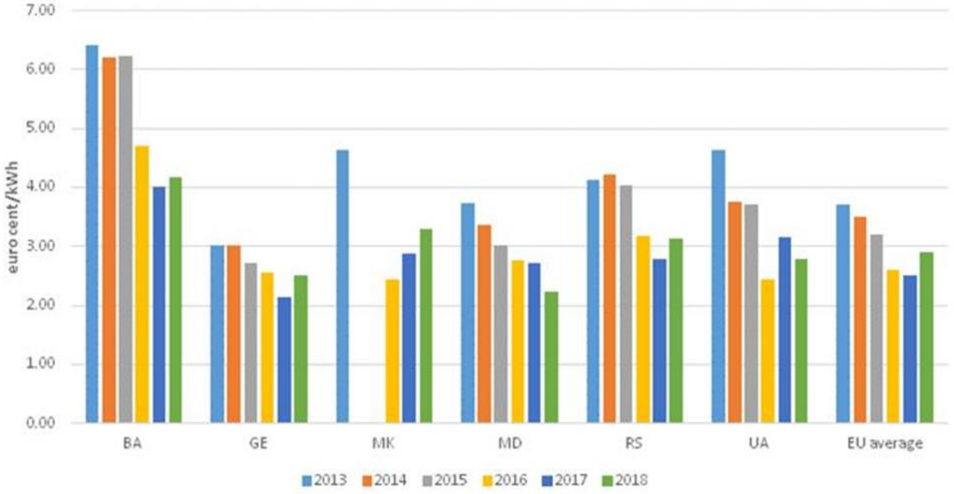
All natural gas customers in the Contracting Parties are eligible to choose their supplier. However household customers in none of the Contracting Parties' markets changed their suppliers in 2018. Some non- households in BIH, MKD, SRB and UKR changed supplier in 2018.

Market developments- retail (2)

Household prices



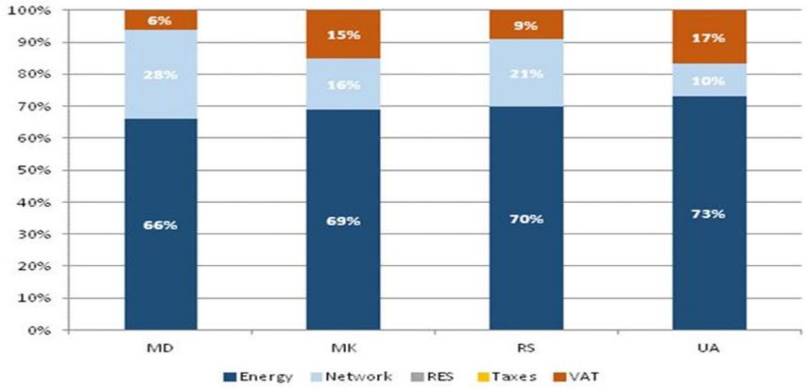
Industry prices



In all CPs protected customer categories (households, small industry and/or district heating) have the right to be supplied at regulated prices

In MKD, no price regulation

In MDA, all prices regulated



Breakdown of prices for households

Implementation in Focus (1/4)

<u>Albania</u>: Mixed signals

- Albgaz - capacity building is ongoing, but its certification raises concerns – the same public bodies (and persons) are controlling the TSO and production/supply
- TAP and Albgaz drafted comprehensive network code

<u>North Macedonia</u>*: *implementing new law

- Many bylaws (supply and market rules, transmission and distribution tariffs) adopted
- Infrastructure development ongoing
- No resolution on the TSO yet – no certification
    - Priority remains finalizing and executing the appropriate TSO model by which the deadlock between the State and Makpetrol over GAMA should be resolved

<u>Georgia</u>*: *still waiting for the gas law

- Some bylaws adopted in spite of law missing

Implementation in Focus (2/4)

***Bosnia and Herzegovina*: no state gas law – sanctions to be prolonged**

- Regulatory framework of entities decoupled
- Republika Srpska signaled readiness to accept a state law as drafted

Montenegro and Kosovo*

- Are exploring all possible options how to connect to the gas transmission system of their neighbours (IAP, ALKOGAP)

***Moldova*: moves forward**

- An Unbundling plan how to implement an ITO model for Moldovatransgaz tabled by ECS
- Many bylaws finally adopted (including network codes), still, some important (transmission tariff, market rules) are under discussion – deadline end of the year
- SoS bylaws in place – however serious concerns about MD preparedness for the winter – MD is the most dependent country in Europe on the Ukraine transit

Implementation in Focus (3/4)

***Ukraine*: post 2020 transit still uncertain**

- Recently the unbundling of Ukrtransgaz from Naftogaz has become reality
- Now only very little time is left as it should be certified by the end of the year
- Unresolved: PSO Public Service Obligation Resolution forecloses retail market
- Progress on application of gas transmission code in balancing, still with many open questions
- Transmission tariffs to be defined by end 2019, amendments to the methodology ongoing
- Joint EBRD-ECS project to establish a gas exchange faces obstacles
- Ongoing work on interconnection agreements with adjacent TSOs

Implementation in Focus (4/4)

Serbia:

- Well developed regulatory framework and new advanced SoS bylaws
- But there are several negative aspects concerning Serbia:
  - No allocation of the IP Horgos capacity
  - Lack of progress in the Srbijagas unbundling – case under Art. 92 at the Ministerial Council
  - Gastrans Exemption Decision diverts from the ECS Opinion

Energy Community Certification Experience

Certified TSOs:

- Albgaz (AL) – Ownership Unbundling 2017
- TAP (AL) – an ITO model according to the Exemption 2016

Ongoing projects:

- Naftogaz (UA) – certification ongoing – ECS involved in the process since 2016
- Moldovagaz (MD) – certification not yet started – ECS involved in adopting an unbundling plan
- Gastrans (RS) – certification ongoing (an ITO model according to the Exemption)

Failed certification projects:

- Yugorosgaz Transport (RS) – failed ISO model certification 2017
- Srbijagas (RS) – NRA rejected its certification before ECS involvement

EU4Energy Gas governance projects in 2018/2019

Energy Community

EU4Energy

Georgia

- Transmission and storage tariff methodology (TAR NC);
- Support for the development of Natural Gas Market Rules;
- Support in the regulation on protection of vulnerable customers;
- Regulation on Imposition of Public Service Obligation(s) on Natural Gas Market Participants and Designation of the Natural Gas Supplier of Last Resort.

Moldova

- IO, CMP, CAM and TAR NCs;
- Support to ANRE in the consultation of the Natural Gas Market Rules.

Ukraine

- Distribution tariff methodology and monitoring the quality of gas distribution and supply;
- Support the development of an IT Platform for NEURC for data collection.

+ High Level Policy Talks

Thank you for your attention