



Implementing Gas Network Codes in the Energy Community

Concept



1. Scope

2. Background

- Gas markets in the EnC
- 3rd Package implementation status
- Relevant IPs - reciprocity
- Rules for implementing NCs in the EnC

3. Implementation proposals

- NC sequence → which NC 1st, 2nd ...
- Article sequence per NC → which Article(s) 1st, 2nd ...
- Interlinks between NCs
- Implementation deadlines

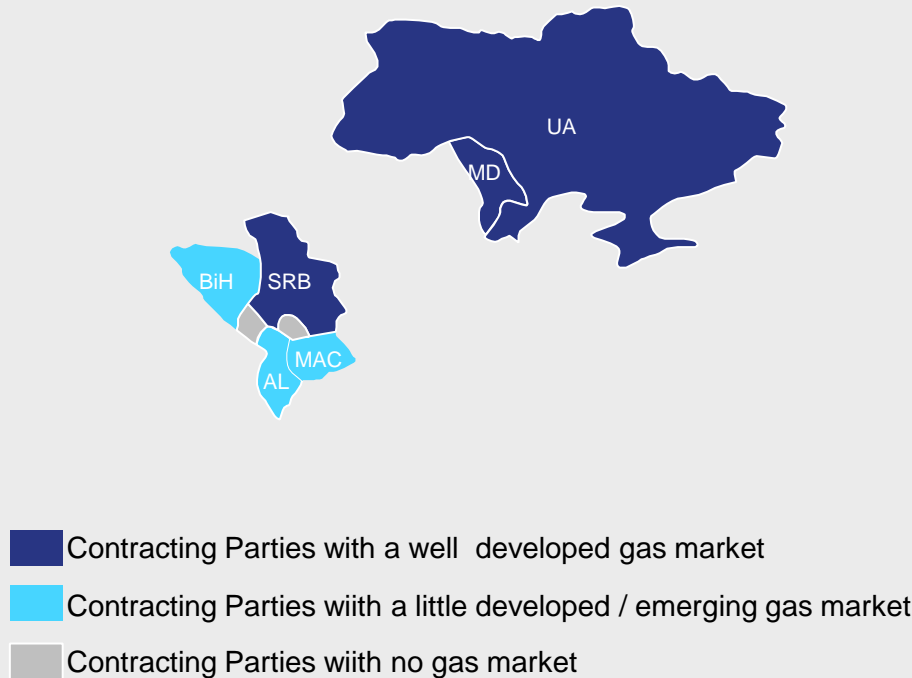
4. Way forward – work approach

[1] Scope – including Gas NCs in the EnC acquis

... in a *meaningful way* that:


1. addresses the CPs' ability to implement the NC provisions content and time wise → reflecting the development status of the CPs' gas markets; and thus
2. bases on EU experience related to:
 - Pre-conditions (market reforms) that need to be in place in the CPs' national gas markets for implementing NCs
 - Time allowed/needed for NC implementation
3. proposes a step-by-step implementation path that targets:
 - Possible implementation “packages” for each NC → which Articles are 1st, 2nd ... priority and interlink
4. adds realistic implementation deadlines for the implementation “packages” for each NC; but
 - does not lose sight of the final scope of implementing the *entire* NCs; and
 - leads to implementation of the NCs *not only* at CP-CP IPs but also at CP-MS IPs


[2] Starting point₁ – gas markets in the EnC

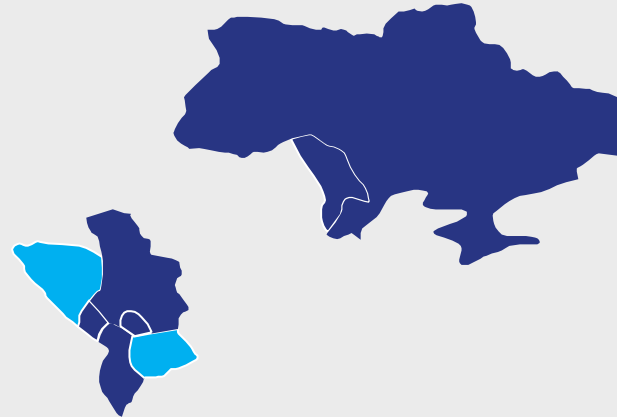


[2] Starting point₂ - 3rd Package implementation

- **Directive 2009/73/EC & Regulation (EC) 715/2009** as adopted by MC Decision 2011/02/MC-EnC
- **Implementation deadline 1 January 2015**

 Third Package compliant gas law adopted

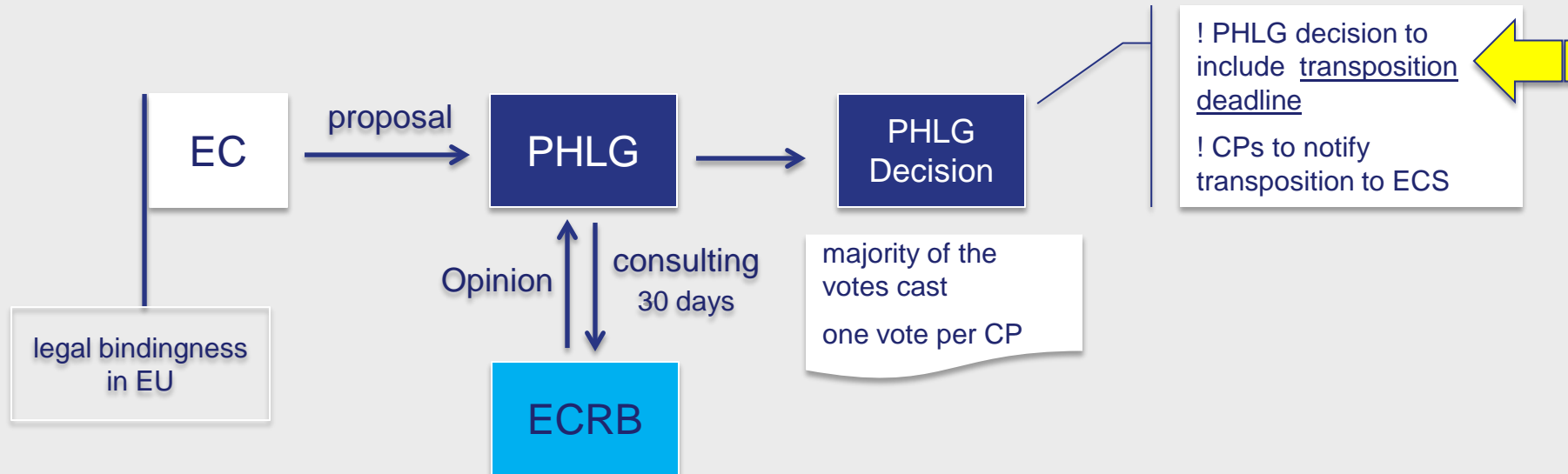
 Draft gas law existing



- **Including further commitment to implement Network Codes / Guidelines** Article 27 of MC Decision

2011/02/MC-EnC | Article 23 Gas Regulation (EC) No 715/2009 as adopted in the EnC

[2] Starting point₅ – EnC NC adoption procedure



- **Legal basis:** Article 27 of MC Decision 2011/02/MC-EnC | Article 23 Gas Regulation (EC) No 715/2009 as adopted in the EnC
- **Standard adaptations** – replacing: EC → ECS | ACER → ECRB | MS → CP | **ENTSOG platforms (?)**
- **! Open issues:** implementation deadlines and “packages” | reciprocity | dispute resolution for CP-MS IPs

[2] Starting point₄ – reciprocity is needed



- ! implementation of NCs on CP-CP IPs *only* (UA-MD and SR-BiH) will not justify the implementation effort and / or add value in terms of market integration
- minimum target (for the time being): *voluntary* commitment of EU NRAs / TSOs neighboring the CPs to apply gas NCs on MS-CP IPs (using existing NCs possibility to include IP to the third countries)
- *Formal* legal reciprocity needs to be addressed separately as part of legislative reforms, e.g.:
 - Eliminate CPs from NCs' "3rd country clause" once they implemented the relevant NC
 - Activate a "switch-on clause" once the relevant CP implemented the relevant NC
 - Closing the legal gap → "interconnector" definition | Dispute resolution on EU-EnC IPs ACER | ECRB – TPA exemptions | CBA

[2] Starting point₃ – relevant IPs

● EnC - EnC ● EnC - EU

#	IP-NAME/-LOCATION#
1#	Drozdovichi(UA)/-Drozdowicze(PL)-#
2#	Hermanowice(PL)/-(UA)#
3#	Uzhgorod-1(UA)/-Velké-Kapušany(SK)#
4#	Uzhgorod-2(UA)/-Velké-Kapušany(SK)#
5#	Uzhgorod-3(UA)/-Velké-Kapušany(SK)#
6#	Uzhgorod-4(UA)/-Velké-Kapušany(SK)#
7#	Budince(SK)/-(UA)#
8#	Beregovo(UA)/-Beregdaroc-1400(HU)#
9#	Beregdaroc-800(HU)/-Beregovo(UA)#
10#	GMS-Tekovo(UA)/-Mediesu-Aurit-(RO)#
11#	VIP-Mediesu-Aurit-Isacea-(RO)/-(UA)#
12#	Orlovka(UA)/-Isaccea-import-(RO)-#
13#	Orlovka(UA)/-Isaccea-I-(RO)#
14#	Orlovka(UA)/-Isaccea-II-(RO)#
15#	Orlovka(UA)/-Isaccea-III-(RO)#
16#	Oleksiiivka(UA)/-Alekseevka-(MD)#
17#	GMS-Grebnyky(UA)/-Grebnyky-(MD)#
18#	Kaushany(RU/MD)/-Kaushany(UA)#
19#	Kyustendil(BG)/-Zidilovo(MK)#
20#	Kiskundorozsma(HU)/-Horgoš-(RS)#
21#	Mali-Zvornik-(RS)/-Zvornik-(BH)#
22#	Ungheni-(RO)/-Ungheni-(MD)#



* IPs GR-AI and AI-IT will be relevant by the time of NCs implementation

[3] NC implementation₁ – Concept



- NCs content-wise interlinked ⇒ more sense to split them in **implementation packages** (easy or precondition to implement /require more time for implementation) based on EU/ENTSOG/ACER implementation experiences and with some CPs specificities if needed (subject to TSO/NRA & PHLG discussions)
- **NCs as upgrade** to basic 3P (D73/2009 & R-715/2009) implementation
- NCs Implementation **monitoring** – by ECS (as/with ACER)
- Joining to **ENTSOG platforms** and other references to ENTSOG – subject to ENTSOG agreement (in advance, when defining the adaptations)
- **NCs text adaptations** – for discussions and further approval by PHLG
- **fine tuning of packages and defining deadlines** – by discussions of all stakeholders (EC,ECS, ACER,ENTSOG, TSOs & NRAs from CPs and neighbouring EU MSs – at the interconnection points)
- All NCs (and all implementation packages) in **one PHLG decision**, but with adapted texts and defined (package by package) implementation deadlines

[3] NC implementation proposal₃ – Overview

Proposed sequence of NC adoption

order	Topic	Legal act	Implementation steps
1	Interoperability _(IO)	Regulation (EU) 703/2015 of 30.04.2015	sequenced
2	Capacity Allocation Mechanisms (CAM)	Regulation (EU) 984/2013 of 14.10.2013	sequenced
3	Congestion Management Procedures _(CMP)	COM Decision of 24.08.2012 amending Reg (EC) 715/2009 Annex I (2012/490/EU)	In one step parallel to CAM NC 1 st phase implementation
4	Balancing _(BAL)	Regulation (EU) 312/2014 of 26.03.2014	sequenced

[3] Implementation₄ - timeline proposal

	2016					2017					2018					2019																																																	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec																																			
Congestion Management Procedures (CMP)	Stakeholders' discussions					◊ PHLG Decision					● ↓																																																						
Interoperability (IO)						◊ PHLG Decision																																																											
Chapter I General provisions											TRANSITIONAL					● ↓																																																	
Chapter II Interconnection agreements																NATIONAL SECONDARY					● ↓																																												
Chapter III Units																					LEGISLATION					● ↓																																							
Chapter IV Gas quality and odourisation																										LEGISLATION										● ↓																													
Chapter V Data exchange																															LEGISLATION										● ↓																								
Chapter VI Final provisions																																				LEGISLATION					● ↓																								
Capacity Allocation Mechanisms (CAM)						◊ PHLG Decision																																																											
Chapter I General provisions											LEGISLATION					● ↓																																																	
Chapter II Principles of cooperation																LEGISLATION					● ↓																				● Except provisions related to data exchange and calculation of technical capacity with the purpose to offer bundled capacity																								
Chapter III Allocation of firm capacity																					LEGISLATION					● ↓																																							
Chapter IV Bundling of cross-border capacity																										LEGISLATION															● ↓																								
Chapter V Interruptible capacity																															LEGISLATION					● ↓					● Except within day interruptible capacity																								
Chapter VI Tariffs and capacity booking platforms																																				LEGISLATION					● ↓					● Except rules related to bundled products																			
Chapter VII Final provisions																																									LEGISLATION					● ↓																			
Balancing (BAL)						◊ PHLG Decision																																																											
Chapter I General provisions											LEGISLATION					● ↓																																																	
Chapter II Balancing system																LEGISLATION					● ↓																																												
Chapter III Operational balancing																					LEGISLATION																									● ↓																			
Chapter IV Nominations																										LEGISLATION					● ↓															● Except re-nominations intraday																			
Chapter V Daily imbalance charges																															LEGISLATION															● ↓																			
Chapter VI Within day obligations						LEGISLATION																																			● ↓																								
Chapter VII Neutrality arrangements																																				LEGISLATION										● ↓																			
Chapter VIII Information provision																																									LEGISLATION					● ↓					● Only Articles 32.1, 32.2; 33; 37.2, 37.3														
Chapter IX Linepack flexibility service																																														LEGISLATION										● ↓									
Chapter X Interim measures																																																			LEGISLATION					● ↓									
Chapter XI Final and transitional provisions																																																								LEGISLATION					● ↓				

[3] NC implementation₅ proposal – First step: 1 January 2018



Interoperability	CAM	CMP	Balancing
Chapter II Interconnection Agreements	Chapter II Principles of Cooperation	Entire act COM Decision of 24.08.2012 amending Regulation (EC) 715/2009 Annex I	Chapter II Balancing System
	Chapter III Allocation of Firm Capacity		Chapter IV Nominations (except re-nominations intraday)
Chapter VIII Information Provision (articles 32 (1)&(2); 33; 37 (2)&(3))			
Chapter III Units	Chapter V Interruptible Capacity (with exception of within day interruptible capacity)		Chapter X Interim Measures (to be applied as default before the BAL NC fully implemented) <u>or</u> application of Article 52 (Chapter XI)- Transitional provisions
Chapter VI Final provisions	Chapter VI Tariffs and Capacity Booking Platforms (with exception of rules related to bundled products)		Chapter XI- Transitional provisions
	Chapter VII Transposition, implementation & monitoring responsibilities		

Interoperability	CAM	Balancing
Chapter IV Gas Quality and Odourisation	Chapter II Principles of Cooperation (provisions related to data exchange and calculation of technical capacity with the purpose of offering bundled capacity)	Chapter III Operational Balancing
	Chapter IV Bundling of Cross- Border Capacity	Chapter IV Nominations (re-nominations intraday)
		Chapter V Daily Imbalance Charges
		Chapter VI Within Day Obligations
	Missing provisions related to within day capacity	Chapter VII Neutrality Arrangements
Chapter V Data Exchange		Chapter VIII Information Provision (articles 32 (3); 34-36; 37 (1); 38-44)
		Chapter IX Linepack Flexibility Service

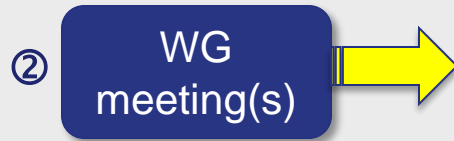
[3] Implementation – work approach

	what	who	when
1	Agreement on concept slides	ECS EC ACER ENTSOG	June, via phone conference and e-mails
2	1st meeting – scope: – resent concept – discuss IO NC implementation proposal – Agree on further work approach – are dedicated (WG) meetings for NC proposal discussions needed or which other work approach is preferred?	– ECS EC ACER ENTSOG – EnC and neighboring EU TSs – EnC and neighboring EN NRAs	7 July, Budapest back to back to ECRB GWG (6 July) and GRI SSE meeting (7-8 July)
3	Depending on outcome of [2]		Possible next meetings: – CAM CMP: back to back to EnC Gas Forum 22 -23 Sep 2016 Ljubljana – BAL: Oct / Nov 2016

[4] Way forward₁ – work approach principles: NC by NC

TARGETED WG MEETING' RESULTS

③ NEXT STEP



Discuss NC sequence



①

- **ECS / EC** to circulate meeting material well in advance
- **Participants** to prepare for detailed discussion of content

1st meeting

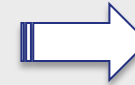
DECISION ON WORK APPROACH FURTHER: WGS - NC BY NC OR PER A PACKAGE OF DIFFERENT NC PARTS COMBINED

DEFINITION OF IMPLEMENTATION DEADLINES, PACKAGE BY PACKAGE [*date, sequence and reasoning*]

1st and further meetings

IN ANY CASE

1. without failing the "basic" steps (IAs etc.)
2. ensure that ultimately all provisions can and will be implemented
3. reciprocity: self-binding commitment of MS NRAs to apply NCs on IPs to EnC borders



EC to table stepwise NC implementation to PHLG for adoption

[4] Way forward₂ – work approach / remaining issues

- *Formal* legal reciprocity as part of legislative reforms, e.g.:
 - Eliminate CPs from NCs' "3rd country clause" once they implemented the relevant NC
 - Introduce a "switch-on clause" once the relevant CP implemented the relevant NC
 - Closing the legal gap → "interconnector" definition | Dispute resolution on EU-EnC IPs ACER | ECRB – TPA exemptions | CBA
 - Future/developing NCs