

The background is a composite image of Earth from space, showing city lights at night. Overlaid on this are numerous glowing blue lines that represent energy transmission or network connections, crisscrossing the globe.

Designing Public Service Obligations

Predrag Grujičić, head of gas unit

Workshop on European Energy Law, Vienna, 4 May 2017

„obligations which the undertaking..., if considering their own commercial interests, would not assume or would not assume to the same extent or under the same conditions“

- *PSO – sector specific tool for providing services of general economic interest*
- *PSO shall be an **exemption**, not a rule*
- *PSO (art 3(2) of EI/Gas Directives) may relate to security of supply, regularity, quality and price of supplies and environmental protection, including efficiency, energy from RES and climate protection*
- *Court of Justice case law – criteria for assesment: justified in the general economic interest, proportionality (not going beyond what is necessary to achieve the objective limited duration..), clearly defined, verifiable, transparent, objective, non-discriminatory measures*

PSO is a possibility to address the impact of the liberalisation in accordance with strict rules and only where necessary

- PSO is a tool to help in a liberalization transitory period and NOT an excuse for protection from market opening*
- The definition of PSO remains a task for the public authorities at the relevant level*
- Examples of PSO:*

PSOs related to price of supply to customers; PSOs related to security of gas supply; PSOs related to priority off take of supplies due to diversification of supplies... could be many

Case study: Gas Market Law of Ukraine

Art. 11 of the Law transposed art. 3(2) of the Gas Directive – conditions shall be defined by the Cabinet of Ministers of Ukraine and consulted with the Energy Community Secretariat.

...”The scope and condition of special obligations must be necessary and proportionate to the objective of meeting a general public interest and least restrictive for the development of the natural gas market

...The CoM shall define – inter alia - also the scope of subjects of the natural gas market on which the special obligations are imposed; the scope of rights granted to those subjects; the territory and term of application of the special obligations; sources and the procedure for granting compensation “

Ukraine's "PSO" act

Gas reform plan (March 2015) required... "a Government Resolution to ensure implementation of the IMF – Ukraine agreement, including regulation of gas prices to household consumers and district heating companies, and upstream prices for gas produced from state owned companies..."

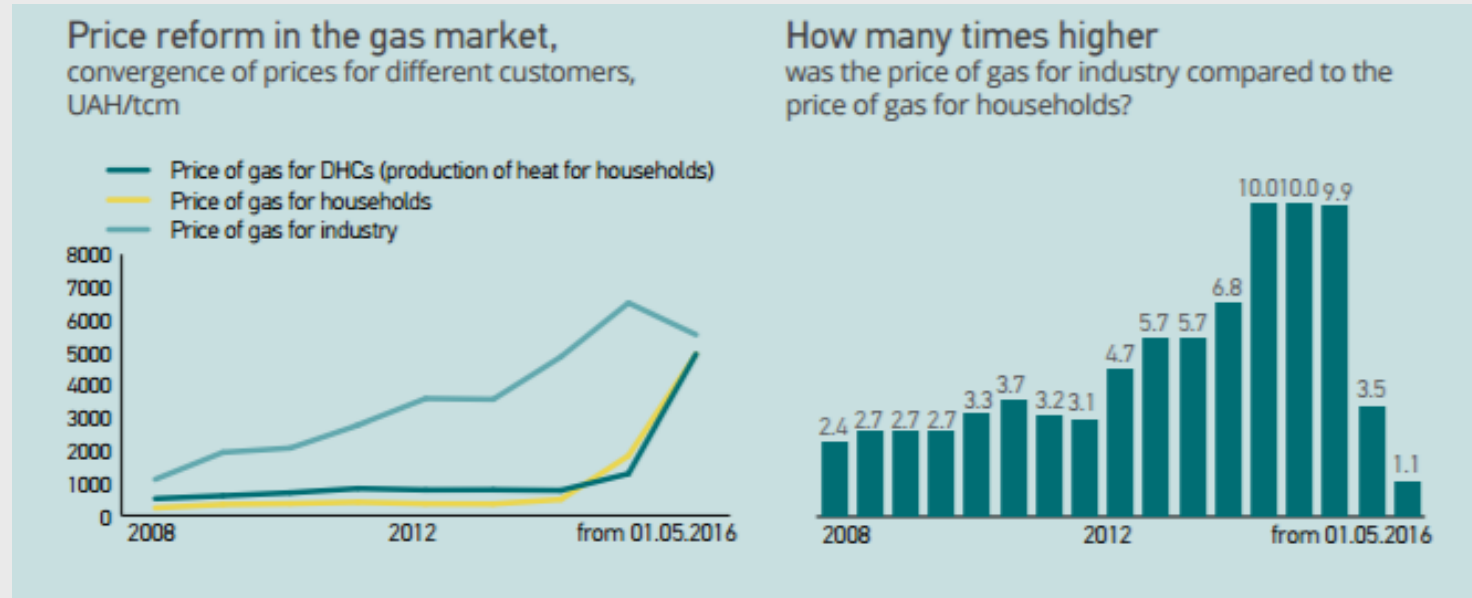
CMU Resolution of 01 October 2015 N 758: On approval of regulations on imposing specific duties on natural gas market participants to meet public interests in course of the natural gas market performance (the transitional period relations)

IMF Memorandum: prices for "regulated sector" - households, DHC, to be at least at 75% of gas import price by 1 April 2016; and at 100% by 1 April 2017

Developed in April 2015, enforced from October 2015 - April 2017; ECS assessed its compliance with the acquis

Several amendments and a new PSO act from 2017

Ukraine's "PSO" act (2)



Source: Naftogaz annual report

Prices for households were depressed – big losses for production companies, Naftogaz

Indirect subsidies; corruption in the gas sector; inefficient use of gas....

Ukraine's "PSO" act (3)

UGV/state owned
companies (at least
50% owned)

- Gas producer UGV...must sell gas to NAK Naftogaz – who in turn has a duty to purchase such natural gas to form resource for household consumers at price determined by the PSO act

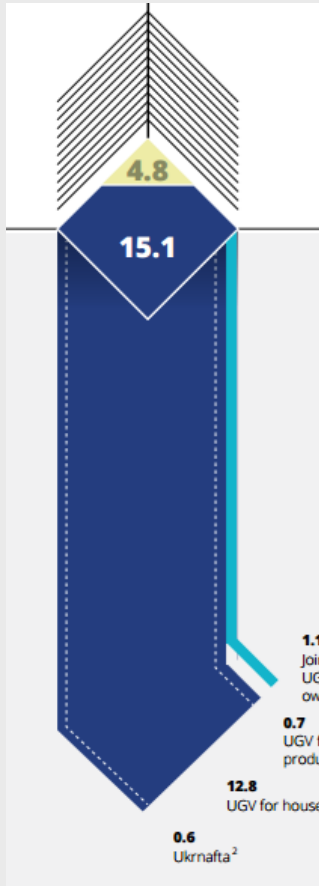
NAK Naftogaz

- Naftogaz sells natural gas to natural gas suppliers for households needs and to DHCs which produce heat for households, at price determined by the PSO act

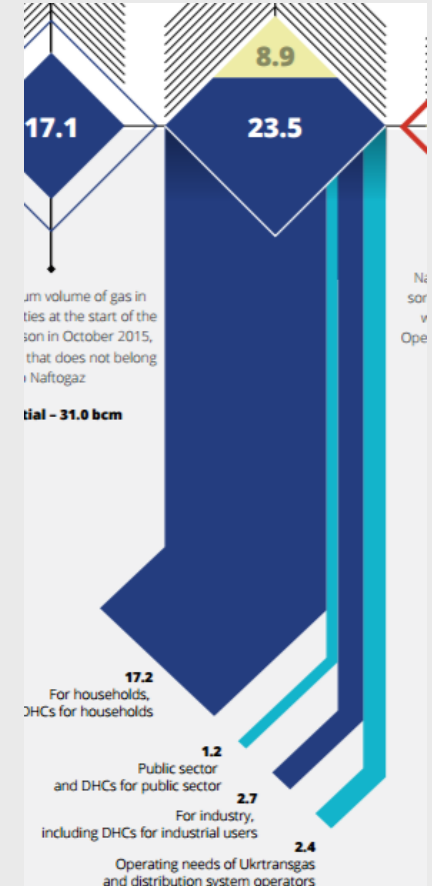
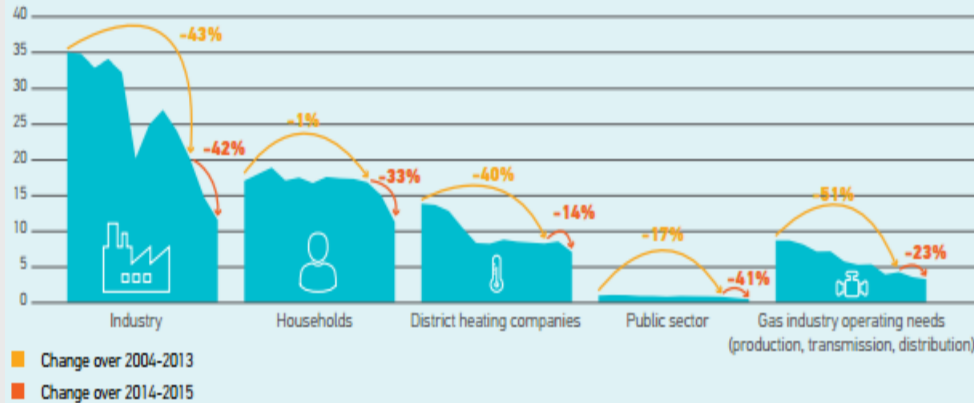
Retail gas suppliers
determined by the
PSO act

- natural gas suppliers supply natural gas to household consumers

Ukraine's "PSO" act (4)



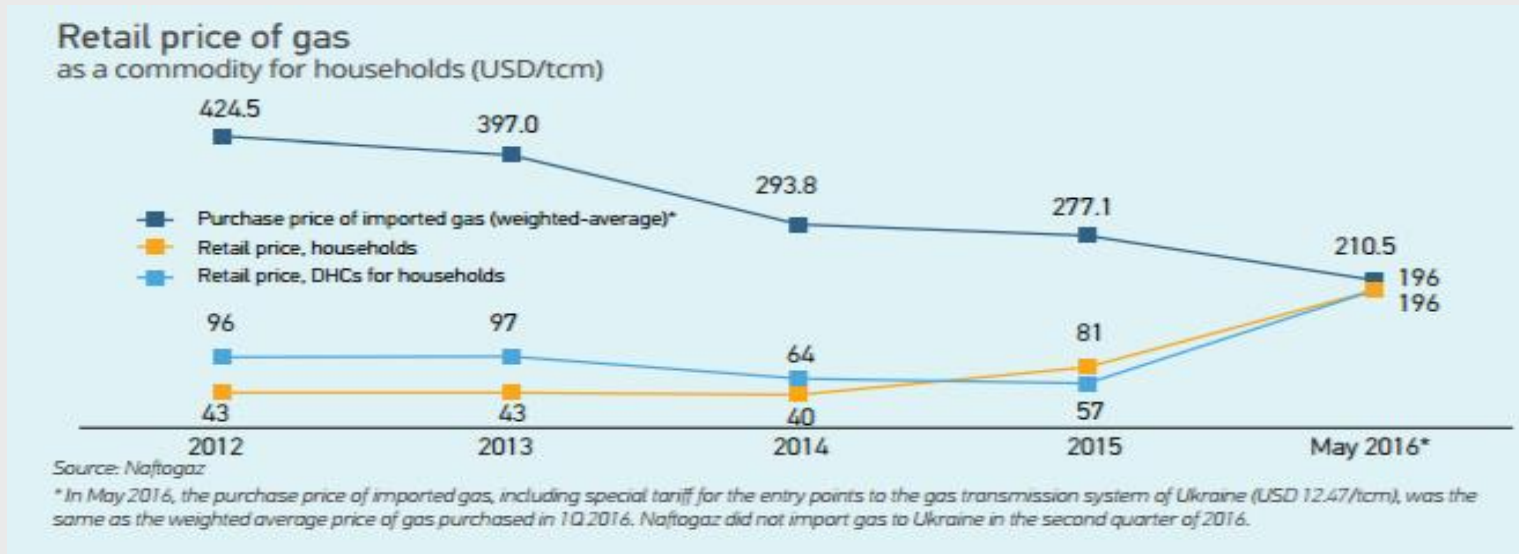
Gas demand in Ukraine, 2004-2015, bcm



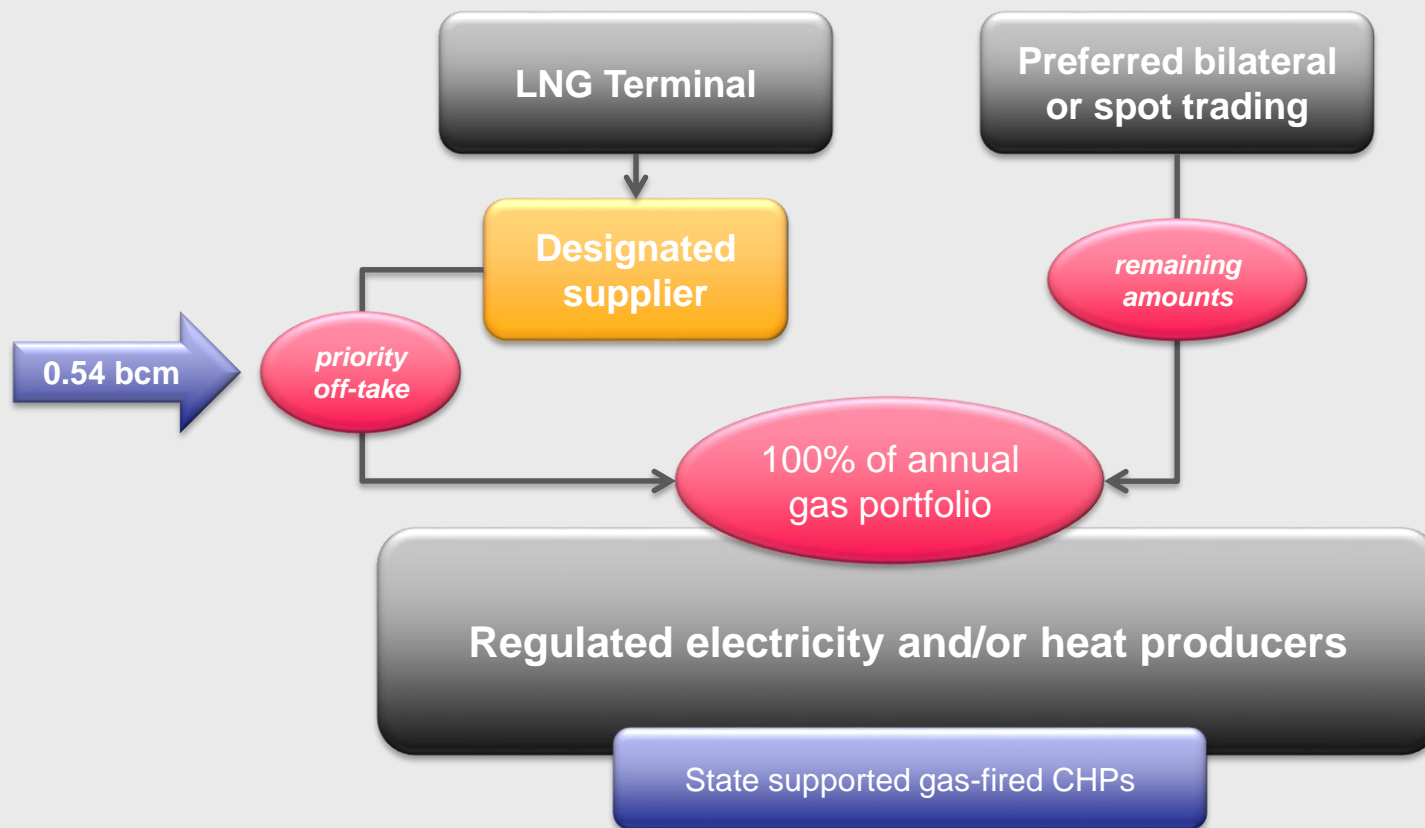
Ukraine's "PSO" act – conclusions

By end March 2017, the PSO act accomplished its basic goal: enabled diversification of Ukraine's supply sources, increased its overall security of supply, corrected distortions on the gas market and enabled more efficiency in the consumption sector.

Comprehensive social programme (which benefited from higher budget contributions from UGV and NAK – cca 1.5 billion eur)...



Lithuania: priority off-take of LNG terminal supplies



Lithuania (2)

- *Proven as a public service obligation – priority off take of gas supplies from newly built LNG terminal for big regulated electricity and heat producers*
- *The goal was to diversify supply and reduce Gazprom's 100% dominance on the gas market*
- *Temporary application: up to 10 years*
- *Reviewed and monitored by the NRA*
- *Non-exempted use of the infrastructure*
- *Still a unique PSOs practice in the EU*

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission or a network. These lines are curved and connect various points across the globe, creating a sense of global connectivity and energy flow.

*Thank you
for your attention!*

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