



ECRB Gas Working Group Activities

Elena Stratulat, ECRB GWG Chairwoman

GWG – 20201 Activities, General Information



Energy Community Regulatory Board

Work Program 2021

*50- th GWG meeting, 10 February 2021 online;
51- st GWG meeting, 2 June, 2021 online;
52- nd GWG meeting, 22 September 2021, hybrid /Slovenia.*

TF1 – Wholesale Market Monitoring TF Leader: Elena Stratulat

- ❖ *Monitoring report on the development of gas wholesale markets in the Contracting Parties;*
- ❖ *Input to ACER's Market Monitoring Report on aspects of gas wholesale markets in the CPs.*

TF2 – Regulatory investment climate - TF Leader: Revaz Geradze (GNERC).

TF3 – Network Code Implementation - TF Leader: Tetiana Kryvonoh (NEURC).

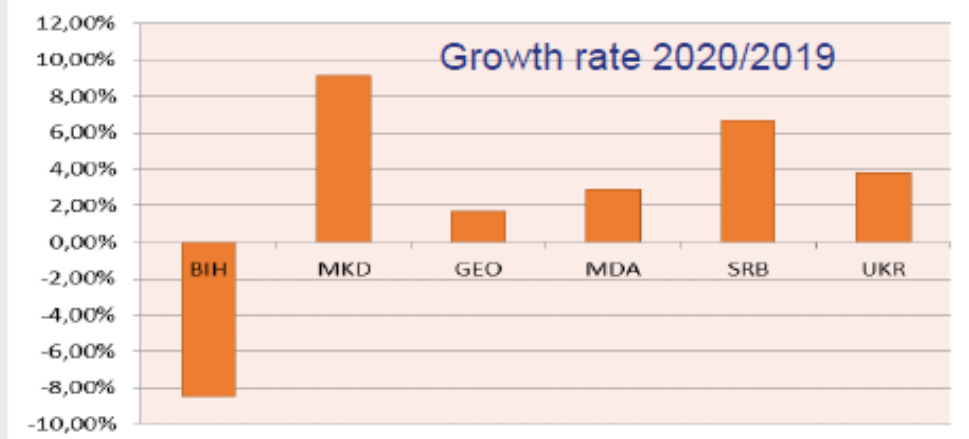
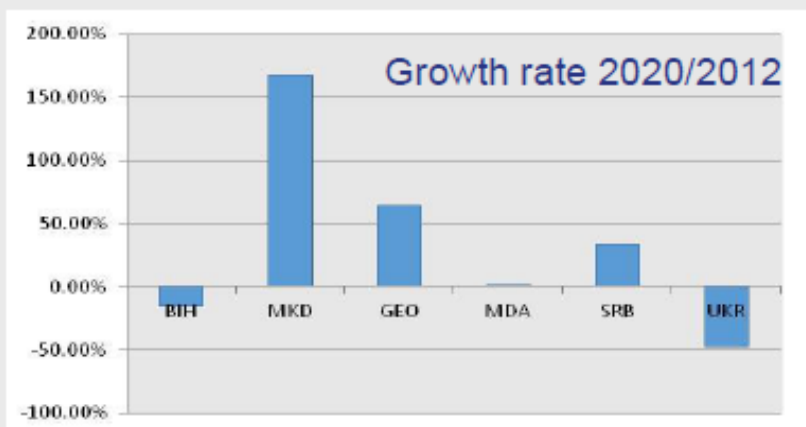
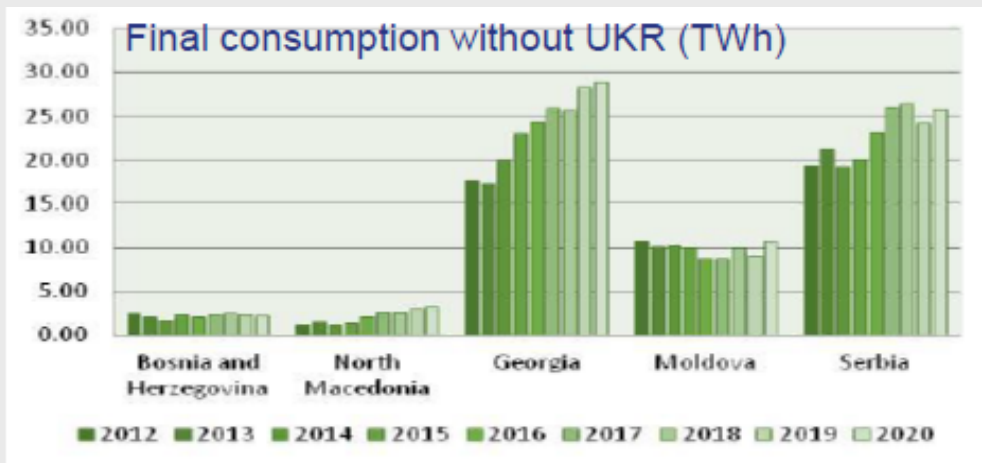
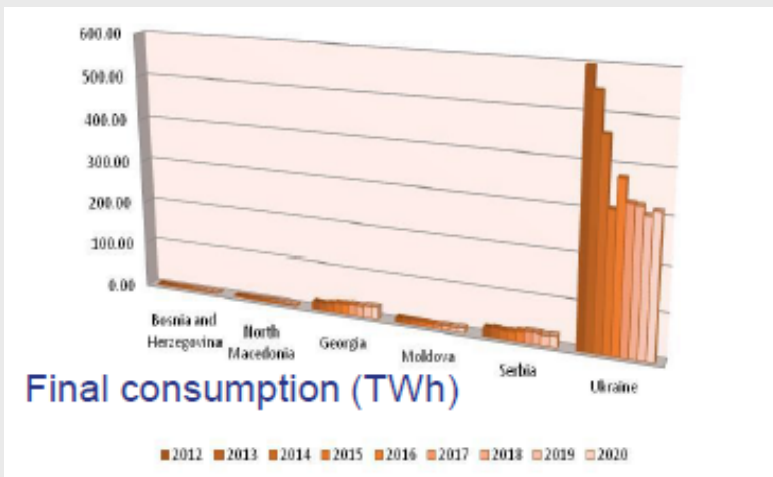
- ❖ *Report on harmonised transmission tariff structures;*
- ❖ *Report on congestions at interconnection points;*
- ❖ *+ Study on the conditionalities stipulated in contracts for standard capacity products for firm capacity TF Leader: Aleksandar Popadic (AERS);*

TF4 – Transparency - TF Leader: Elena Stratulat (ANRE).



Gas
market
021

MMR 2020.Consumption



MMR 2021: Sourcing of gas

Energy Community Contracting Party	Number of supply sources	Number of shippers active at IPs
Bosnia and Herzegovina	1 (import from Russia 100%)	n.a.
Georgia	4 (Georgia 0.3%, Armenia 0.75%, Russia 7.9% and Azerbaijan 91%);	5
Moldova	1 (import from Russia 100%)	2
North Macedonia	1 (import from Russia 100%)	2
Serbia	2 (Serbia 10.6%, Russia 89.4%, 1/3 of gas bought from traders in HU and CZ)	6
Ukraine	NA (70% Ukraine, 30% import)	86



TF1 MMR 2021: Trading Activity in Ukraine



- ❖ traded volumes at UEEX exchange increased from 0.3 bcm in 2019 to 2 bcm in 2020, number of market participants doubled
- ❖ mostly front month products traded, introduction of the day-ahead product trading in 2021
- ❖ Naftogaz started actively trading at the exchange, abandoning of PSO contributed to liquidity
- ❖ allocation of IP capacities in line with CAM NC to the extent possible
- ❖ new lower transmission tariffs as of 2020
- ❖ daily balancing regime- the network users have the opportunity to trade in order to settle their imbalances before the TSO activates balancing services

TF1 MMR 2021 Wholesale market dominance



Energy Community Contracting Party	Number of companies selling at least 5% of available gas	Share of 3 biggest companies in the market		
Georgia	3	39%	29%	28%
Moldova	1	91%	n.a.	n.a.
North Macedonia	3	72%	20%	6%
Serbia	1	81%	3.70%	2.90%
Ukraine	2	59%	7.41%	4.86%

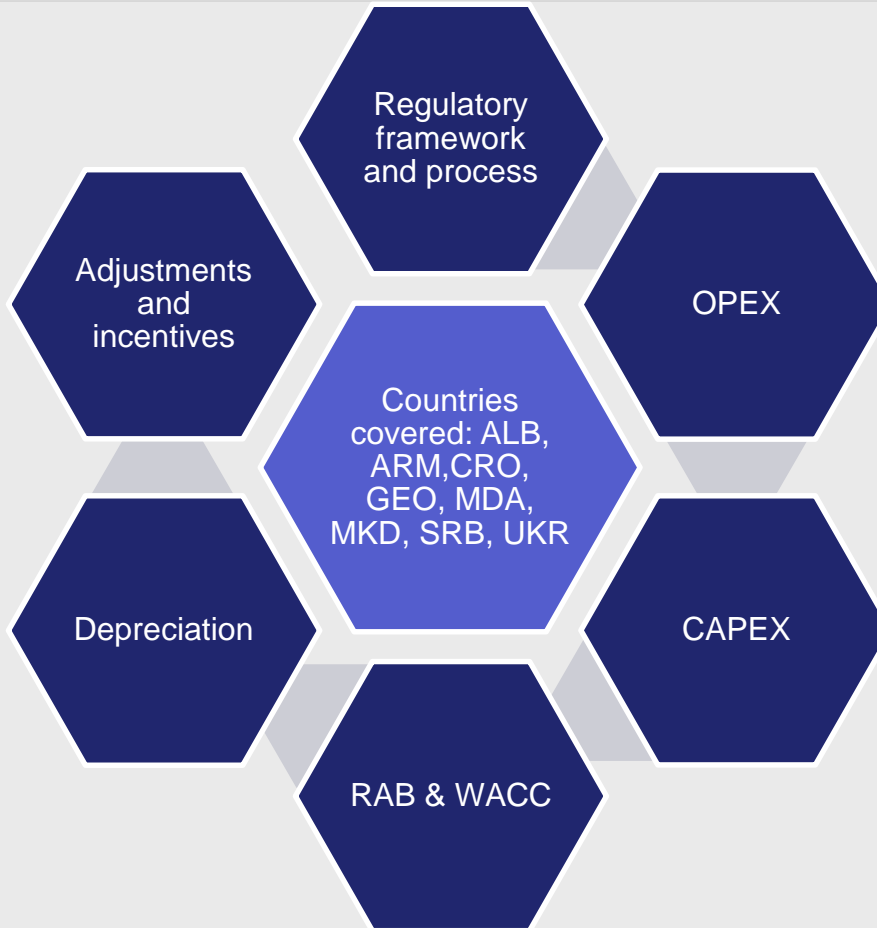
In 2020, transmission tariffs were calculated separately for entry- exit points in Serbia and Ukraine only. In the other Contracting Parties, post- stamp methodologies were implemented.

The results of the 2020 analysis are presented in the table on Average cross-border transmission tariffs in 2020 (in EUR/MWh)

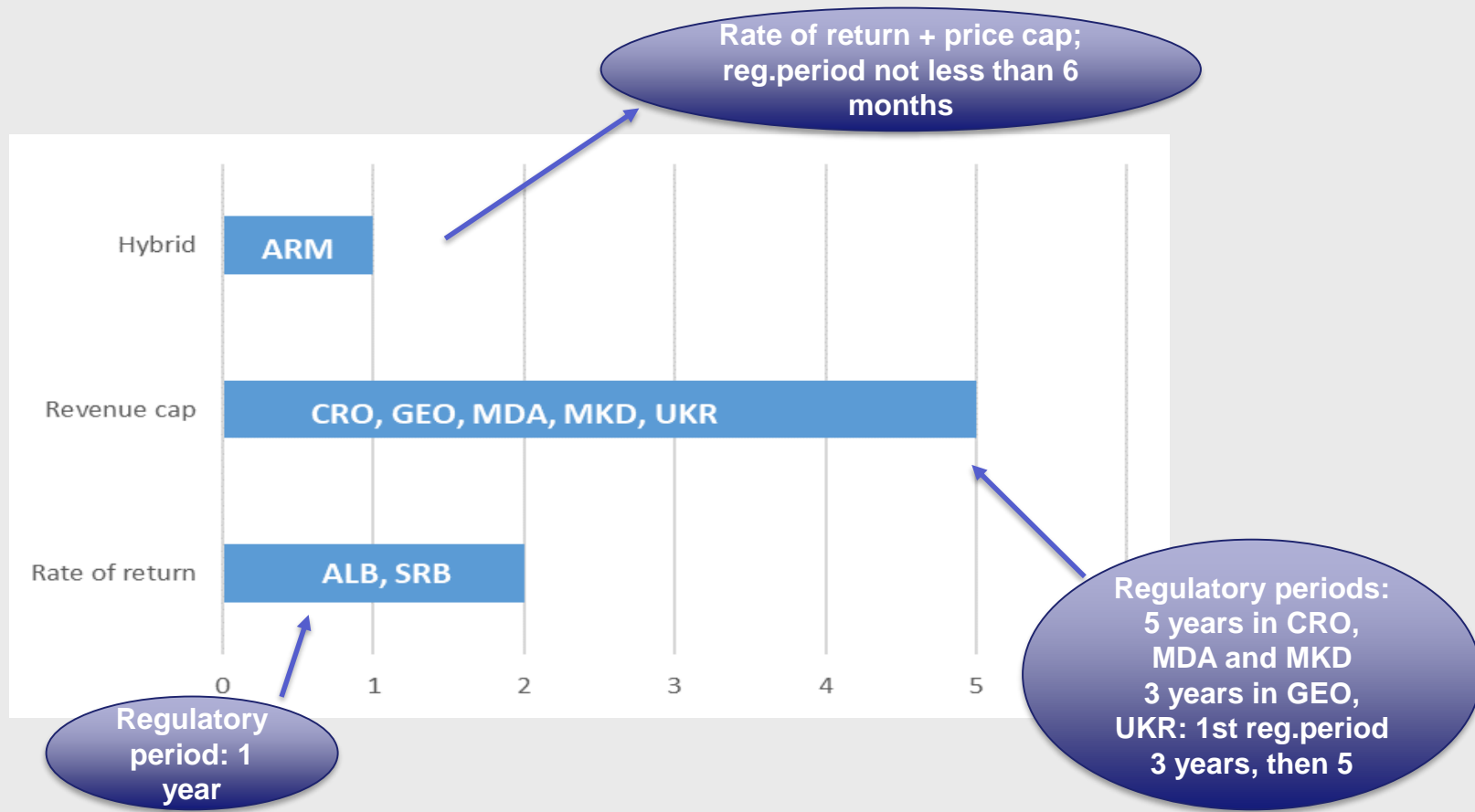
CAM NC - TSOs allocate almost exclusively yearly capacity, with exception of Ukraine, where only daily capacity was sold in 2019 and Serbia where monthly and daily capacities were sold in 2019.

In terms of transparency of processes related to gas transmission, the CP show progress over the several last years, as show the ECRB reports. However, there is still plenty of room for increasing transparency in practice.

DRAFT Report on methodologies and parameters used to determine the allowed or target revenue of TSOs *for ECRB approval*

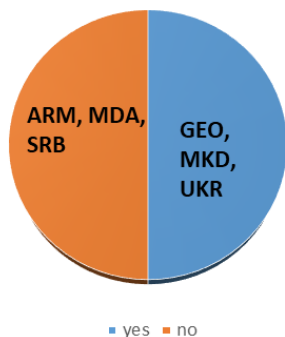


Regulatory framework



Operating expenditures

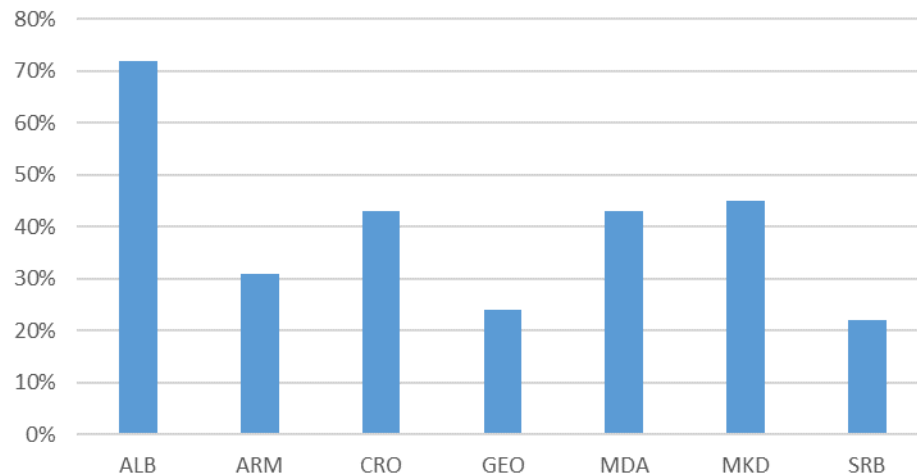
distinction between controllable and non-controllable costs



Efficiency factors used in:

- CRO: 1%
- GEO: 2%
- MDA: 10- 20%
- UKR: 1%

OPEX as % of allowed revenue



Capital expenditures

Ex ante approval	with ex post review	ALB, CRO, GEO, MKD, SRB
	without ex post review	UKR
Ex post approval	ARM, MDA	

Tendering for large transmission system expansions required in all cases except MDA

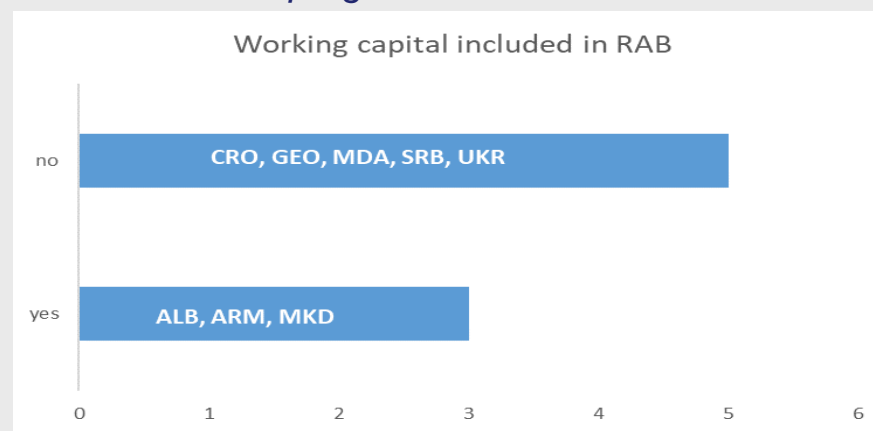
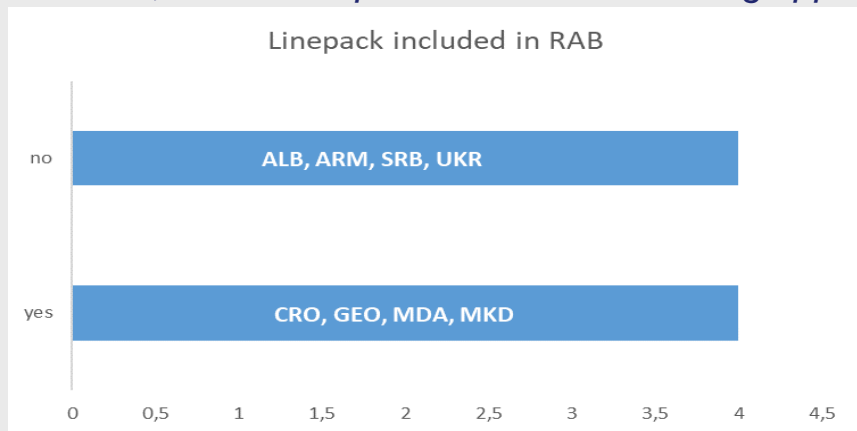
Energy efficiency for CAPEX not used

Regulatory asset base

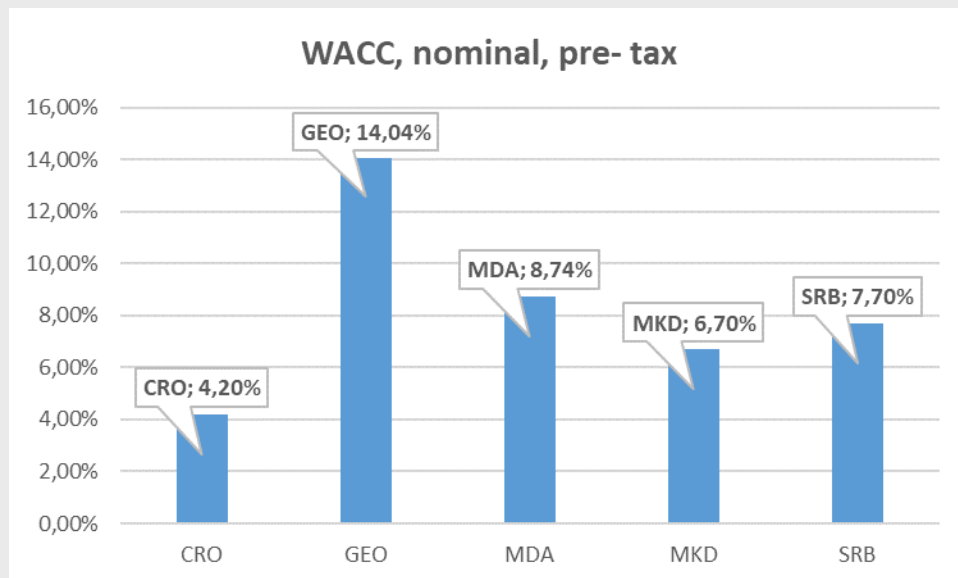


Evaluation of assets:

- ❖ *Historical value: ALB, GEO, MDA, MKD, SRB*
- ❖ *CRO: revaluation done in the framework of unbundling process (2001)*
- ❖ *UKR: for assets constructed before incentive regulation was introduced- revaluation, for those created afterwards- historical value*
- ❖ *ARM: for assets constructed before 2001 an historical costs were used, for assets constructed after 2001, the cost of purchase or constructing approved in investment programs*



Weighted average cost of capital



UKR: 13,5% post- tax

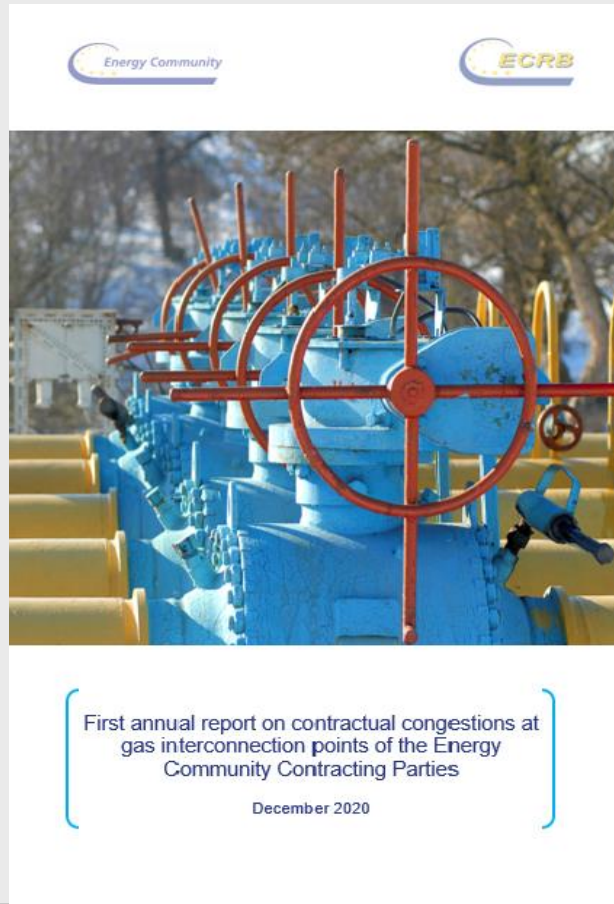
*ALB: 4,91% vanilla
(post- tax on equity,
pre- tax on debt)*



annual report on contractual congestions at
gas interconnection points of the Energy
Community Contracting Parties

for ECRB approval

REPORT: Annual report on contractual congestions at gas interconnection points of the Energy Community Contracting Parties



- ❖ *Based on Annex I of Gas Regulation (EC) No 715/2009 related to congestion management rules*
- ❖ *Monitoring report on congestion at gas IPs with respect to firm capacity products sold in the previous year, for the years 2020, 2021 and 2022*
- ❖ *Identification of contractual congestions based on auctions was possible only for UKR IPs- first CAM NC auctions held in July 2020*
- ❖ *Other possible indicators used: unsuccessful capacity requests, non- offer of capacity, offer of interruptible capacity and trade on secondary market*

MAIN FINDINGS AND CONCLUSIONS:



- ❖ *Limited access to information on bookings for GEO and MKD*
- ❖ *In MDA and SRB most of the capacity in 2020 booked on yearly basis, but also quarterly (MDA) and monthly products (MDA and SRB) were sold*
- ❖ *No bookings beyond 2020*
- ❖ *Interruptible capacity offered in SRB (for gas year 2019/2020) and UKR*

UKRAINE:

- ❖ *Merging of IPs into Bereg VIP (Beregovo and Beregdaroc) and GCP GAZ-SYSTEM/UA TSO VIP (Drozdovychi and Hermanovychi) since 1 May 2020 i.e 1 July 2020 → all capacity products available and booked*
- ❖ *Budince IP: all types of capacity products booked, non- offer in September 2021*
- ❖ *GSA and RBP used for capacity allocation*

MAIN FINDINGS AND CONCLUSIONS:



- ❖ *NRAs of the CPs **do not have to request transmission system operators to apply firm day-ahead use-it-or-lose-it mechanism***
- ❖ *ECRB identified a number of obstacles stemming from data availability, consistency and reliability and invites the TSOs **to comply without delay with transparency- related provisions of Regulation (EC) 715/2009 and, in particular, Annex I of that regulation.***
- ❖ *ECRB invites Governments, NRAs and TSOs of the CPs and, where relevant, neighboring EU MSs, **to enable full implementation** of CMP Guidelines and CAM NC on interconnection points between the CPs and between the CPs and EU MSs*
- ❖ *ECRB recognizes the efforts and substantial progress towards full CMP and CAM NC implementation in Ukraine in 2020.*

C. Report on Conditionalities stipulated in contracts for standard capacity products for firm capacity for written approval

Legal reference: Article 38(4) of CAM NC (Regulation CE 2017/459).

ECRB Monitoring Report

TF Leader: Aleksandar Popadic (AERS);

- *Joint task force with EWG and CEER ;* for written approval
- ***Methodology used** detailed questionnaires to NRAs;*
- *Questionnaires cover electricity and gas sector;*
 - a) *A description of the CP regulatory framework including a filled fact sheet at the beginning within a limit of 5 pages;*
 - b) *Questionnaires on Regulatory framework (Excel sheets Chapter – 3 to 7);*

Scope: assisting the NRAs in enforcing the implementation of Regulation (EU) 715/2009.

Covering the Contracting Parties with gas markets: Albania, Bosnia and Herzegovina (Republika Srpska entity), North Macedonia, Georgia, Moldova, Serbia and Ukraine.

Methodology :

- 1. Data and analysis are based on information provided by the NRAs of the analysed markets relating to the transparency requirements of***
 - a. Implementation of Directive 2009/73/EC and***
 - b. Implementation of Regulation (EC) 715/2009.***
- 2. Data presented refers to status quo in 2020.***
- 3. Overall scoring in terms of publication of data pursuant to Annex I of Regulation 715/2009***

De-facto implementation of transparency requirements of Directive 2009/73/EC



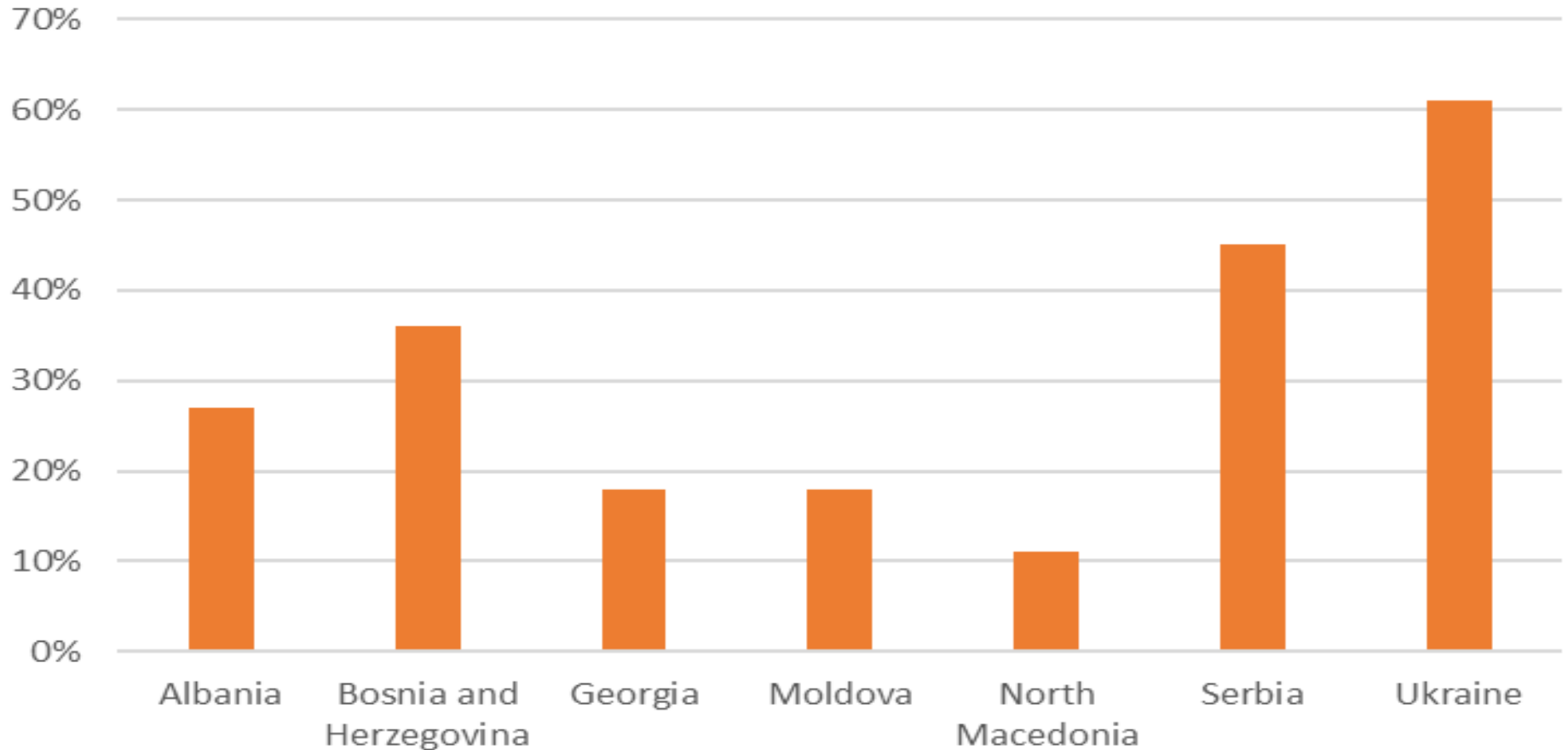
Relevant Art. of Directive 2009/73/EC	Albania	Bosnia and Herzegovina	North Macedonia	Georgia	Moldova	Serbia	Ukraine
5 (Monitoring of SoS)	No	No	√	No	No	No	√
8 (Technical rules)	No	No	No	No	√	√	√
13(3) Tasks of transmission, storage and/or LNG system operators	√	√	√	No	√	√	√
15(2d) Unbundling of transmission system owners and SSOs	No	No	No	No	√	No	NAP
16(3) Confidentiality for TSOs and transmission system owners	No	No	No	No	No	√	NAP
22(4) Network development and powers to make investment decisions	No	No	No	No	No	√	√
23(1) Decision- making powers regarding connection of storage facilities, LNG regasification facilities and industrial customers to the transmission system	√	√	No	√	√	√	√
31(2) Unbundling of accounts	No	No	No	No	No	√	√
32(1) Third- party access	√	√	√	√	√	√	√
33 (1)	No	No	No	No	No	√	√
33 (3)	No	No	No	No	No	√	√
33 (4)	No	No	No	No	No	√	√

De-facto implementation of transparency requirements of Regulation 2009/715/EC



Relevant Art. Of Regulation 715/2009	Albania	Bosnia and Herzegovina	North Macedonia	Georgia	Moldova	Serbia	Ukraine
Art.3 Certification of TSOs	√	X	X	X	X	√	√
Art.15 Third- party access services concerning storage and LNG facilities	X	nap	nap	X	nap	nap	X
Article 16 (2) Principles of CAM and CMP concerning TSOs	X	√	x	X	√	√	√
Article 16 (3) Principles of CAM and CMP concerning TSOs	X	√	x	X	√	√	√
Article 17 (2) Principles of CAM and CMP concerning storage and LNG facilities	X	nap	x	X	nap	nap	x
Article 18(1) Transparency requirements concerning TSOs	√	√	√	√	√	√	√
Article 18(2) Transparency requirements concerning TSOs	√	√	√	√	√	√	√
Article 18(3) Transparency requirements concerning TSOs	X	√	X	X	X	√	√
Article 18(6) Transparency requirements concerning TSOs	X	X	X	X	X	X	X
Article 18(7) Transparency requirements concerning TSOs	√	X	X	X	√	X	√
Article 19 (1) Transparency requirements concerning storage and LNG facilities	X	nap	nap	X	nap	nap	X
Article 19 (2) Transparency requirements concerning storage and LNG facilities	X	nap	nap	X	nap	nap	X
Article 19 (4) Transparency requirements concerning storage and LNG facilities	X	nap	nap	X	nap	nap	√
Article 19 (5) Transparency requirements concerning storage and LNG facilities	X	nap	nap	nap	nap	√	√
Article 21(2) Balancing rules and imbalance charges	X	X	√	X	X	√	√

Overall scoring in terms of publication of data pursuant to Annex I of Regulation 715/2009



Conclusions:



- During the past years, a certain level of transparency has been established among the Contracting Parties and that it was slightly improved in 2020;
- Improvements and further progress are needed. In particular the implementation of transparency provisions of Regulation 460/2017 is at substantially low level;
- Primary and secondary legislation on gas market functioning in Moldova, Serbia and Ukraine provide a solid background for fulfilling transparency requirements of Directive 73/2009, Regulation 715/2009 and Regulation 460/2017;
- Primary and secondary legislation implementing Third Package in other analyzed Contracting Parties is still under preparation and currently implemented transparency provisions are based on the existing gas market related rules.

TF1 – Wholesale Market Monitoring (Leader: Elena Stratulat)

- Monitoring report on the development of gas wholesale markets in the Contracting Parties***
- Input to ACER’s Market Monitoring Report on aspects of gas wholesale markets in the Contracting Parties***

TF2 – Regulatory investment climate (Leader: Mr. Revaz Geradze (GNERC)).

TF3 - Network Code Implementation

- Report on congestions at interconnection points (Ms Tetiana Kryvonoh NEURC).***
- Report on reference price methodologies***

TF4 Report on regulatory treatment of methane emissions.

The background of the slide is a dark blue globe with a grid of latitude and longitude lines. Overlaid on the globe is a complex network of glowing blue lines and nodes, representing a global energy or communication network. The nodes are bright blue circles with concentric rings around them, and the lines connecting them are also glowing blue.

*Thank you
for your attention!*

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www.energy-community.org