


Regulation (EC) 1775/2005 implementation in R. Serbia

Aleksandar Popadic

Senior Expert for Natural Gas




**Workshop on Regulation (EC) No. 1775/2005
Energy Community Secretariat
Vienna, March 5 – 6, 2009**

International obligations

- Treaty establishing the Energy Community (Official Gazette of the RS, No 62/2006), and encompassing EU legislation set in Annex I
- Ambitious deadlines for implementation in natural gas sector
 - Directive 2003/55/EC concerning common rules for the internal market in natural gas sector
deadline 1. July 2007, not fully implemented (TSO legal unbundling, regulatory responsibility ...)
 - Regulation (EC) 1775/2005 on conditions for access to the natural gas transmission network
deadline 31. December 2008 - mostly not implemented
 - Directive 2004/67/EC concerning measures to safeguard security of natural gas supply
deadline 31. December 2009 – not implemented

Compliance with Regulation 1775/2005

Cross Border Trade Mechanism	Reg. 1775/2005	Compliance
Legal implementation		
Definitions	Article 2	
Tariffs for access to networks	Article 3	
TPA services	Article 4	
Capacity allocation and congestion management	Article 5	
Transparency requirements	Article 6	
Balancing rules and imbalance charges	Article 7	
Secondary Market Trading	Article 8	
Guidelines	Article 9	
Regulatory authorities	Article 10	

Full compliance

Partial compliance

Non-compliance

Regulatory activity accomplished in natural gas sector (1)

- Energy law
 - determines the obligation of TSO to allow the TPA to system
 - prescribes that the TPA shall be allowed on the principles of openness and non-discrimination
 - sets the procedure which assures the legal protection to third parties if TPA access is denied (Article 37-39)
- Implementation
 - Tariff systems are published and accessible to public
 - Prices of access and usage of transportation system are regulated and accessible to the public

Regulatory activity accomplished in natural gas sector (2)

- AERS issued licenses for trade in natural gas sector :
 - Wholesale – activity of public interest (2)
 - Retail (31)
 - Natural gas trade on free market (12)
- All customers, except households, can choose supplier
 - AERS decision on determination of minimal annual natural gas consumption required for obtaining the status of eligible customer (Official Gazette of the RS, No 21/2008), in force starting from February 2008
- Tariff systems applied
 - for the usage of the transportation system for natural gas and for the usage of the distribution system PE Srbijagas effective from 15 October 2008
 - for the usage of the distribution system for natural gas applied starting for other DSO from 1 April 2009

Legal implementation of Regulation 1775/2005

- Primary legislation
 - Necessary Amendments of the Energy law (the Draft Law Amending the Energy Law still in formulation stage)
 - MOME responsible for the formulation of adequate model that accommodates the specificities of national market
- Secondary legislation
 - AERS responsible for effective regulatory support of the legal framework which is to be set once Amendments to Energy Law are in force
- AERS regulatory support is to be achieved by:
 - Tariff system amendments, which AERS responsibility is to formulate and Government to approve
 - Transmission Network code - TSO responsibility to formulate, AERS authorized to approve

Definition

- Definition

- Important issue is to reach consensus on definitions of terminology and institutes used in EU documents as well as in regional practices which are to allow as to understand each other without doubt
- The need for the precise transposition of definitions of terminology and institutes in Amendments to Energy Law, Network code and Tariff system

- Formulation of definitions

- Unified definition is not applicable on EU level yet
- Rewrite definitions from Article 2, Regulation 1775/2005
- Some definitions can be more specific

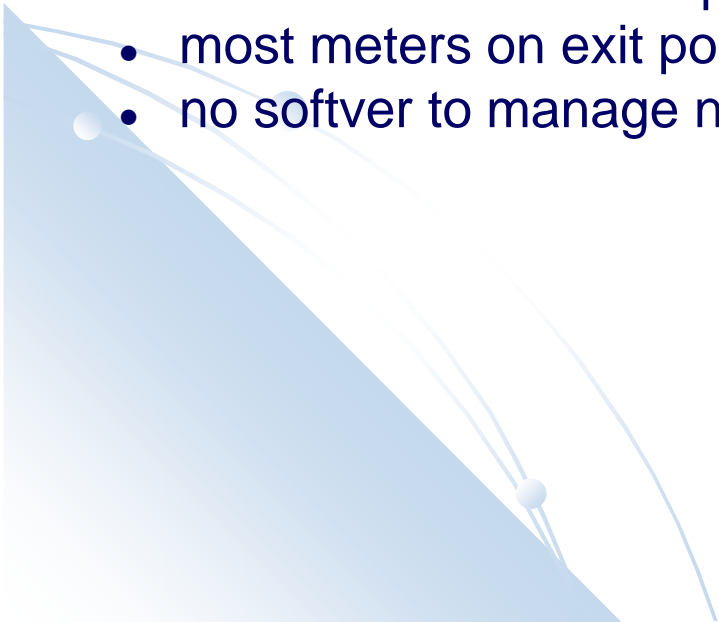
- Examples

balancing period is 24 hours from 8 a.m. one day to 8 a.m. next day

definition for nomination and re-nomination can have deadlines for sending, etc.

Actual Tariff system / TSO limits

- Actual tariff system for transport of natural gas
 - Capacity is calculated using data from previous year
 - Capacity is offered on 1 year basis
 - No possibility for obtaining the interruptible capacity
 - No secondary market to trade capacity obtained
- TSO does not have adequate metering nor IT infrastructure
 - limited number of exit points that have meters with log
 - most meters on exit points are not connected to SCADA system
 - no softver to manage nominations and capacity and commodity trade



Possible model of AERS Tariff system modification

- Transmission tariff system modification will be discussed and formulated in 2009
- Initial model/proposition how to change transmission tariff system
 - TSO offer capacity with duration between 1 month and 1 year
 - Traders are to nominate necessary capacity for the next year
 - Two types of interruptible capacity (max. day of interruption is: 1. less than 15 days and 2. more than 15 days)
 - Secondary trade with capacity between traders and TSO
- Final model will be defined
- Any suggestions are welcome

Third part access services

- First step implementation
 - Network code (Commercial rules), harmonized transmission contract and tariff system
 - TSO responsibility to formulate all documents except tariff system
 - Public consultation with traders and big customers is obligatory
 - All relevant documents should enter into force at the same moment
 - All documents will be published and accessible at TSO and AERS web site
- Next steps
 - Capacity contract with duration less than 1 month
 - Contract with non-standard start day
- Possible problem with appropriate guarantees for network users equal treatment
 - TSO is not legally unbundled from the supplier, being the part of the same company
 - Determination of the level of guarantees required

Tolerance level and charges proposal

- **Balancing tolerance level**
 - It can not be high in winter season because TSO limited resources
 - It can be higher in the summer than in the winter season
 - TSO additional service – higher tolerance level ?
 - One balancing group for all exit points without meters with log
 - Traders can form their balancing group
- **Imbalance charges**
 - Will be defined in tariff system
 - Shall not hamper the entry of new market entrants
 - Imbalance charge should provide network users incentives to balance their inputs and offtake of gas
- **Price for balancing gas**
 - Non-market based price for balancing gas
 - Will be defined in tariff system
 - Price for balancing price - formula or percentage of wholesale price
 - Proposal: 120% when TSO sell gas and 80% when TSO buy gas

Proposal for time table and reconciliation

- Time table for allocation
 - TSO shall send quantity measured on exit point to DSO and network users 2 hour after gas day
 - DSO shall allocate daily quantity and send to TSO and network users 4 hour after gas day
 - If DSO fail to send allocation, TSO shall allocate quantity “pro-rata” according to nomination
 - Translatory provision for exit points without meters with log
- Reconciliation
 - TSO shall send to DSO final daily quantity from exit points based on the measurement data read from data log, 5 days after month
 - DSO shall send to TSO and network users final daily allocation based on the measurement data read from data log, 10 days after month
 - TSO shall send final settlement to network users, 15 days after month

Trading of capacity rights, Guidelines and Regulatory authorities

- Trading of capacity rights proposal
 - It should be defined in the Law, Network code and Tariff system
 - Price on secondary market is the same as on primary market
 - TSO will interfere in secondary trade with capacity
 - Principle “Use it or loose it” implementation ?
- Guidelines
 - Will be defined Network code
 - TSO is responsible for implementation
 - Some provisions will not be possible in first step from technical reasons
- Regulatory authorities
 - AERS have not responsibilities as defined in Article 25 of Directive 2003/55/EC
 - AERS can not alone ensure compliance with rules in Regulation 1775/2005

Final remarks

- Regulation 1775/2005 implementation
 - It is important step to create conditions for internal gas market
 - It is sensitive and complicated process
 - Require participation of all stakeholders: MOME, TSO, AERS, gas traders, big consumers etc, which is necessary
 - Via domestic legal framework may be achieved in 2009, but the full implementation dependant on TSO adequate metering and IT infrastructure
 - EC and EU help will be valuable

Thank you for your attention!

Contact details:

Aleksandar Popadic

AERS Energy Agency of the Republic of Serbia, Terazije 5/V , 11000 Belgrade

Tel: + 381 21 485 2592; Fax: + 381 21 544 211

e-mail: aleksandar.popadic@aers.rs , URL: www.aers.org.rs