

Report of the National Gas Transmission Company "Transgaz" S.A. Mediaș, on implementing interim measures,

pursuant to the Regulation (EU) No. 312/2014 of the Commission on 26 March 2014

establishing a Network Code on Balancing

Gas Transmission Networks

INTRODUCTION

The Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks (hereinafter referred to as the Regulation) sets out uniform balancing rules at the European level, reflecting the specific needs of the transmission systems and considering the leverage within the reach of operators for balancing transport systems while ensuring sufficient incentives for network users to balance their own portfolios.

The main objectives of the Regulation may be summarized as follows:

- each network user (NU) is fundamentally responsible for the daily balancing of individual portfolios related to the quantitative levels of natural gas entering and exiting from the National Transmission System (NTS).

- the transmission system operator (TSO) should conduct balancing activities, based on non-discriminatory market principles and in transparent conditions, and thus to ensure the gas supply security and continuity;

- make available to the NU short term standardized products and balancing services/mechanisms to increase the liquidity and flexibility of the natural gas market.

In the specific case in which the conditions for applying the provisions of the regulation are lacking, in particular due to the absence of short term liquidity in the wholesale markets, the Regulation sets out, inter alia, the application of interim measures for ensuring interim balancing requirements leading to the development of a short term liquid and competitive market, these are laid down in Chapter X of the regulation.

If the market conditions do not allow for the application of the Regulation, and the transmission system operator (hereinafter referred to as the TSO) intends to apply the interim measures, the TSO is required to prepare and submit to the regulatory authority a report detailing both the interim measures and the plan envisaged by the TSO to reach the final targets for the balancing provided in the Regulation.



Therefore, considering the particularities of the Romanian natural gas market, Transgaz has drawn up the interim balancing measures it deems applicable at this time and the next steps it intends to take for the implementation of the Regulation, submitting them to public consultation and, afterwards, to the approval of the regulatory authority.

The report is structured as follows:

1. Description of the stage of development and of the short term liquidity of the natural gas wholesale market at the time the report was drafted;
2. Proposed interim measures;
3. Rationale of the grounds for the necessity to apply interim measures;
4. Description of the steps considered for eliminating interim measures and for the full application of the Regulation.

Please note that the interim measures described in this report apply only for the NTS entry/exit area, which does not include natural gas transmission pipelines without transshipment on the territory of Romania, as provided in Article 38 par (1) let. a) of the Order of the President of ANRE no. 32/2014 on approving the Methodology for setting the regulated income, the total income and the total regulated tariffs for the gas transmission activity.

The application of interim measures for the NTS entry/exit area, represented by the natural gas transmission pipelines without transshipment on the territory of Romania defined in Article 38 par (1) let. b) of the Order of the President of ANRE no. 32/2014 on approving the Methodology for setting the regulated income, the total income and the total regulated charges for the gas transmission activity, will be covered by further annual reports, according to the status, at the time of drafting the reports, of the agreement with the adjacent TSOs (Bulgartransgaz EAD and Ukrtransgaz), within the Interconnection Agreements, of the applicable balancing procedures.

1. DESCRIPTION OF THE WHOLESALE GAS MARKET STAGE OF DEVELOPMENT

1.1. The Regulatory framework of Romanian wholesale market includes:

- Energy and Gas Law no. 123/2012, as amended and supplemented;
- Order of the ANRE President no. 5/2013 on the approval of the Methodology for monitoring the natural gas market;
- Order of the ANRE President no. 50/2013 on the approval of the General rules on the centralized natural gas market, as amended and supplemented (ANRE Orders no. 66/2014 and no. 6/2015);
- Order of the ANRE President no. 51/2013 on the approval of the Regulation on the organised framework for trading on the centralised market of natural gas managed by the Romanian Commodities Exchange S.A., as amended and supplemented (ANRE Orders no. 67/2014 and no. 18/2015);
- Order of the ANRE President no. 52/2013 on the approval of the Regulation on the organised framework for trading on the centralised market of natural gas managed by the Operator of the Electricity and Natural Gas Market OPCOM SA, as amended and supplemented (ANRE Orders no. 68/2014 and no. 86/2015);;
- Order of the ANRE President no. 53/2014 on amending and supplementing the Network code for the national natural gas transmission system., approved by the order of the ANRE President no. 16/2013;
- Order of the ANRE President no. 54/2014 on measures for the development of the natural gas market
- Order of the ANRE President no. 118/2014 on approving the methodology for establishing the obligation of the natural gas producers and suppliers to conclude transactions in the Romanian natural gas centralized markets;
- Order of the ANRE President no. 1/2015 on establishing the national register of participants to the energy wholesale market and on approving the procedure for registering the participants to the wholesale energy market;

1.2. The current regulatory framework and the requirements of the Regulation

The daily trading products are currently lacking in both Romanian natural gas centralized markets.

Until now, the shortest term standard product offered in both natural gas centralized markets is *the weekly strip delivery contract* for natural gas (domestic, mixed or import), product not meeting the balancing requirements set by the *Regulation*.

1.3. Description of wholesale market liquidity

So far, two companies holding a licence for managing natural gas centralized markets operate in the Romanian wholesale natural gas market:

- **The Romanian Commodities Exchange - BRM**, which obtained the licence for trading natural gas in July 2013 and which owns a natural gas trading platform, the first transaction was performed in October 2013; as of 7 October 2014 BRM holds an electronic natural gas trading platform - STEGN, destined also to short-term standardized products and dedicated exclusively to the owners of supply licenses. Thus, BRM, by its new electronic trading platform provides the market the possibility to trade daily products and even intra-day products.
- **The Operator of the Electricity and Natural Gas Market – OPCOM S.A.**, which made available, as of August 2013, to market participants the *Electronic trading platform via the PCGN-LN mechanism*, in which the bilateral contracts are granted through a combined tender and negotiation process. According to the data held by the TSO, at 30.06.2015, no contract was granted although several sale and purchase offers were registered.

According to the information submitted by BRM and OPCOM, the short term liquidity of the Romanian wholesale natural gas market is at an insufficient level for promoting competition pursuant to the general principles laid down by the *Regulation*, thus:

1.4 The number of transactions concluded in the centralized natural gas markets:

- on the BRM platform, from the establishment of this market and until 30.06.2015, there were organized 315 auction sessions, completed with the conclusion of 142 transactions.
- on the OPCOM platform, from the establishment of this market and until 30.06.2015, 22 auction sessions were organized, which were not finalized by the conclusion of transactions.

1.5 Differences between the purchase and sale offers and their volumes:

- 315 auction sessions were initiated on the BRM platform, of which: 196 for purchase and 119 for sale:
 - sale and purchase offers, total = 48,778,964.93 MWh
of which
 - sale offers 39,157,780.67 MWh;

- purchase offers 9,621,184.26 MWh;
- 22 transactions were initiated on the OPCOM platform, 16 for sale and 6 for purchase:
 - total offered volumes 4,867,300 MWh, of which 4,570,500 MWh for sale and approx. 16 times more reduced for purchase, i.e. 296,800 MWh;
 - no transaction was concluded.

1.6. The number of participants having access to the short term natural gas wholesale market:

- 144 participants are registered in the centralized natural gas market, managed by BRM, and in the natural gas ring;
- 16 participants are registered in the centralized natural gas market, managed by OPCOM, and in the natural gas ring on the PCGN platform.

1.7. The number of participants which were active in the short term natural gas wholesale market:

- 144 participants have been active in the centralized natural gas market, managed by BRM, since its establishment. 3 participants have been active in the centralized natural gas market, managed by OPCOM, since its establishment, and on the PCGN platform.

2. INTERIM MEASURES

2.1 General description of the proposed measures

In the absence of sufficient liquidity of the short term wholesale natural gas market, as provided in Article 45, paragraph 1 of the Regulation, suitable interim measures referred to in Articles 47 to 50 shall be implemented by the transmission system operators.

The interim measure S.N.T.G.N. Transgaz S.A. is able to apply and manage in the gas year 2015-2016 is the creation of an **alternative to the balancing platform (APE)**, alternative described and explained below.

APE includes the following:

- the possibility of the NU to perform daily balanced/imbalanced nominations and re-nominations, on day D-1 for day D, and to perform transactions to reduce/eliminate the forecast imbalance until the end of the day D-1 trading period;
- the possibility of the NU to perform intra-day balanced/imbalanced nominations on the D day, for the D day, and to perform transactions to reduce/eliminate the forecast imbalance until the end of the day D trading period;
- the establishment by the TSO of the initial and final daily imbalanced produced by NU; the initial daily imbalance, serving only for information purposes, the final imbalance (after the exhaustion of the balancing instruments) will be the basis for the NU to invoice imbalances, if appropriate;
- the possibility of the NU to balance its own portfolio via the Gas Transfer Facility;
- the application of a 5% tolerance;
- the possibility of the TSO to purchase/sell natural gas for the physical balancing of the NTS.

The implementation of the alternative to the balancing platform - APE aims to ensure:

- the balancing of the NUs individual portfolios and maintaining a general balanced condition at the level of the NTS in order to ensure the continuity and the security of the natural gas transmission services;
- the possibility for the TSO to intervene in the physical balancing of the system, whenever required.

APE will be a useful instrument for network users, ensuring the primary role of the NUs regarding the management of their imbalanced position.

APE will facilitate the trading of natural gas quantities for balancing along the following coordinates:

- Trading the daily imbalance between NUs;
- Trading the daily imbalance via the TSO

Given the aforementioned aspects, we consider that the interim measure proposed by Transgaz, in the absence of an adequate level of short term liquidity in the wholesale market, and in the absence of a functional trading platform, meets in a first stage the general principles provided by the Regulation.

2.2 Daily nominations and re-nominations. Forecast imbalances

During day D-1, the NUs can send a nomination and a re-nomination for day D.

Such nominations and re-nominations may be imbalanced, i.e. the sum of the nominations by NTS entry points where the NU booked capacity, may differ from the sum of the nominations by NTS exit points where the NU booked capacity.

As part of the process for approving the nomination/re-nomination, the forecast imbalances may be reduced / eliminated by the possibility of the NU to conduct natural gas transactions that need to be notified in the Virtual Trading Point (VTP).

At the end of day D-1, the condition for the TSO to approve the nominations/re-nominations is to have them balanced according to the formula:

$$N_{\text{entry}} - T_{\text{sale}} = N_{\text{exit}} - T_{\text{sale}}$$

One nomination/re-nomination is deemed balanced if the sum of nominations by NTS entry points where the NU booked capacity equals the sum of nominations of NTS exit points where the NU booked capacity, adjusted with the quantities traded and notified in the VTP. A NU is deemed balanced when the formula above is met.

If this condition is not met, the TSO approves the nomination/re-nomination by adjusting the highest value at the lowest value level, reducing the values proportionally with the nomination (pro-rata) by each entry/exit point in/from the NTS.

2.3 Within-day nomination (WDN).

WDN is the nomination the NU may perform on gas day D for the same gas day D to adjust the individual portfolios.

Such nomination may be balanced / imbalanced by the application of the procedure described at 2.2.

2.4. The Gas Transfer Facility (GTF)

GTF is an instrument used to transfer natural gas quantities from one network user accepting the sale to another network user which, in turn, accepts the purchase of such natural gas quantities, in order to balance their individual daily portfolio. The network users accepting the sale and the purchase of natural gas quantities via the GTF are hereinafter referred to as GTF partners.

Within the month M+1 the network users can trade by using the GTF to balance their own portfolio from each gas day relate to the month M, within the limit of the natural gas quantity communicated by the TSO via the informational platform, representing the imbalance registered in their portfolio during each day in the month M .

Furthermore, for the reduction/elimination of the final daily imbalance, the NUs can use the GTF in the period between the tenth day, 2.30 p.m., and the thirteenth day, 2.30 p.m., of the month M+1 for each gas day of the month M.

2.5. Application of the tolerance

Deeming as met the requirements set out in Article 50, paragraph 1, letter a) c) of the Regulation, there is also proposed the use of the tolerance. It is applied to the imbalances recorded after the balancing by network users of own portfolios by the GTF.

Based on the internal analyses performed by the TSO, the applicable tolerance is 5%. Daily tolerances are not cumulative.

The level of tolerance (T) is calculated by applying the formula:

$T = (A_i - A_e) / A_i * 100$ where:

A_i - the allocation in the entry points for which the NU booked capacity;

A_e - the allocation in the exit points for which the NU booked capacity.

The determined tolerance level applies to the allocation in the entry points in the NTS. If no capacity is booked in the entry points in the NTS the determined tolerance level applies to the allocation in the exit points out of the NTS.

For a NU whose daily imbalance is lower than or equal to 5% tolerance level, the daily imbalance charge (DIC) is calculated in accordance with section. 2.8. for all of the imbalance quantity.

For a NU whose daily imbalance is higher than the tolerance level of 5% the daily imbalance charge (DIC) is calculated in accordance with section. 2.8 and it is the sum of the DIC related to the daily imbalance quantity falling within the tolerance of 5% and the DIC related to the daily imbalance quantity above a 5% tolerance.

2.6 The role of the TSO in the physical balancing of the NTS

According to the NTS physical balance state, current or forecasted, the TSO will implement measures to balance the NTS by purchasing/selling the natural gas quantities required for balancing.

The balancing action will be determined only by the objective necessity to maintain the operative parameters of NTS operation between the minimum and maximum limits established and published by the TSO on its website in the section dedicated to the NU, independently of each UR possible commercial imbalances. The balancing action may also be preventive in the sense that it is taken in order to avoid the risk of damaging the limits of the operative parameters of NTS operation, the risk results from the daily calculations performed by the TSO, based on nominations and / or data of the preliminary transmission programs sent by the NU to optimize gas flows in the system.

Buying the natural gas necessary for balancing will be performed as follows:

- within the centralized natural gas markets either based on standard contracts specific to centralized markets, or based on a standard contract for the purchase of natural gas, drawn by the TSO and approved by ANRE and / or
- through market mechanisms, in a transparent and non-discriminatory manner, in compliance with the national legislation on public procurement contracts, based on a standard contract for the purchase of natural gas, drawn by the TSO and approved by ANRE.

The sale of balancing gas will be achieved within the centralized natural gas markets or specific markets based on standard contracts specific to centralized markets, or based on a standard contract for the purchase of natural gas, drawn up by the TSO and approved by ANRE.

When the NTS balancing action through the sale, by OTS, of natural gas quantities supplied in surplus in the system does not occur within 24 hours, OTS will store the respective natural gas quantities in the NTS and / or underground storages in order to conduct further balancing actions.

By the end of each gas day the TSO publishes on its website, in the section dedicated to NU, for each NTS physical balancing action materialized in the sale or purchase of quantities of balancing gas for each gas day for which action, information on the type of balancing action (preventive or not), the type of transaction (sale or purchase) the amount of natural gas traded, the price of each transaction, the weighted average price of the purchase transactions performed by the TSO for that gas day and the weighted average price of the sales transactions performed by the TSO in that gas day.

2.7 The role of the TSO in the commercial balancing of the NU portfolios

In the course of the month M+1 after the expiry of the period when the network users may use the GTF, the TSO will determine the final quantities of the daily imbalance related to each gas day in the month M and for each NU.

In case of daily imbalance, network users may be in one of the following two situations:

- Surplus: if the difference between the natural gas quantities that entered the NTS and those that exited the NTS is over zero;
- Deficit: if the difference between the natural gas quantities that entered the NTS and those that exited the NTS is lower than zero.

If the TSO finds a Surplus imbalance state related to the individual portfolio of a network user, it will accept the sale to the TSO of the natural gas quantity standing for the recorded imbalance.

The TSO resorts to calculating the daily imbalance charge (DIC) by multiplying the final quantity of the daily imbalance (Q) with the applicable price (P) according to the methodology set at point 2.8.

2.8 Methodologies for the calculation of daily imbalance charges (DIC)

According to the principle for applying the daily imbalance charges, described in Chapter V of the Regulation, it is determined for each network user creating an imbalance by multiplying the quantity of the daily imbalance (Q) by the applicable price (P).

The daily imbalance charges will be highlighted separately on the invoices issued by the TSO for the network users, according to art 19 para (2) of the Regulation.

2.8.1. Methodology for setting the price of sale/purchase of natural gas quantities being in daily imbalance at the UR level

A. In the situation where, at the gas day level, the sum of imbalances registered by the **UR** being in a state of imbalance with title Deficit is equal with the sum of imbalances registered by the **UR** being in a state of imbalance with title Surplus, **for that quantity of daily imbalance which is within the accepted tolerance limit of 5%**, the applicable price, for sale by the **UR** to the OTS of that amount of natural gas representing positive imbalances, as well as for purchase by the **UR** from the OTS of that amount of natural gas representing negative imbalances, is the **weighted average price of all transactions with natural gas, including those relating to FTG, notified in PVT for that gas day in question.**

For the UR being in a state of imbalance with title **Surplus** and, **for that quantity of daily imbalance which exceeds the accepted tolerance limit of 5%**, the price applicable for sale by the UR to the OTS of that amount of natural gas is the **marginal sales price**, determined according to the following formula:

$$PMV = PMP \times (1 - Caj), \text{ where:}$$

PMV - is the marginal sales price.

PMP - is the weighted average price of all transactions with natural gas, including those relating FTG, notified in PVT for that gas day in question.

Caj - is the adjustment component representing a percentage of 10%.

For the UR being in a state of imbalance with title **Deficit** and, **for that quantity of daily imbalance which exceeds the accepted tolerance limit of 5%**, the price applicable for sale by the UR to the OTS of that amount of natural gas is the **marginal purchase price**, determined according to the following formula:

$$PMC = PMP \times (1 + Caj), \text{ where:}$$

PMC - is the marginal purchase price.

PMP - is the weighted average price of all transactions with natural gas, including those relating FTG, notified in PVT for that gas day in question.

Caj - is the adjustment component representing a percentage of 10%.

If there were no transactions notified in PVT, it will be taken into account the weighted average price of all transactions with natural gas worked out within BRM and OPCOM for the gas day in question. Given the low liquidity of the wholesale market in the short term, in the situation where for the gas day in question when there are no natural gas transactions carried out, it will be taken into account the weighted average price of the last day for which transactions there were notified in PVT.

At the baseline of applying provisions regarding daily imbalance tariff, in order to establish the applicable price, in the situation where there are no transactions notified in PVT or transactions done within BRM and OPCOM for the day in question, there will be taken into account the last transactions done within BRM and OPCOM.

By the end of each gas day, OTS publishes on its website, in the section dedicated to the UR, for each transaction notified by the UR in PVT for the gas day in question, including due to the use of NIZ, the information related to the quantity of natural gas traded in this way, the related price of transaction, as well as the weighted average price of all transactions notified in PVT for the gas day in question.

In the gas day following the last day when it is possible to perform FTG, OTS published on its website, in the section dedicated to the UR, for each gas day of the previous month, updated information regarding the weighted average price of the transactions notified in PVT for the gas day in question resulted after FTG performance.

B.1. In the situation where, at the level of a gas day, the imbalances amount registered by the UR being in a state of imbalance with title Deficit is higher than the imbalances amount registered by the UR being in a state of imbalance with title Surplus, and OTS has bought, for the gas day in question, according to the provisions from point 2.6., quantities of natural gas for physical balance of SNT, the prices applicable for sale/purchase of the natural gas quantities being in daily imbalance at the level of UR are:

- for the UR being in a state of imbalance with title **Deficit** and **for that amount of daily imbalance which falls within the accepted tolerance limit of 5%**, the applicable price at the purchase by the UR from OTS of the amount of natural gas in question is the **weighted average price of the purchase transactions done by the OTS for the gas day in question**;

- for the UR being in a state of imbalance with title **Deficit** and **for that amount of daily imbalance which exceeds the accepted tolerance limit of 5%**, the applicable price at the purchase by the UR from OTS of the amount of natural gas in question is the **marginal purchase price**.

The marginal purchase price is given by **the highest value between the following two**:

a) the highest price at which OTS has performed purchase transactions for the gas day in question **(CMMPC)**;

b) the weighted average price of the purchase transactions performed by OTS for the gas day in question **(PMPC)** plus an adjustment of **10%** of this price,

on the ground of the following formula:

$$PMC = \max (CMMPC, PMPC \times 110\%)$$

- for the UR being in a state of imbalance with title **Surplus** and **for that amount of daily imbalance which falls within the accepted tolerance limit of 5%**, the applicable price at the sale by the UR to OTS of the natural gas quantity in question is the **weighted average price of all transactions with natural gas, including those related to FTG, notified in PVT for the gas day in question**; if there were no transactions notified in PVT, it will be taken into account the weighted average price of all transactions with natural gas performed within BRM and OPCOM for the gas day in question; given the low liquidity of the wholesale market on short term, in the situation where for the gas day in question there were no transactions, it will be taken into account the weighted average price of the last day for which there were transactions notified in PVT.

- for the UR being in a state of imbalance with title **Surplus** and **for that quantity of daily imbalance which exceeds the accepted tolerance limit of 5%**, the price applicable for sale by the UR to OTS of the natural gas quantity in question is the **marginal sales price**, established in compliance with the following formula:

$$PMV = PMP \times (1 - Caj), \text{ where:}$$

PMV - is the marginal sales price.

PMP - is the weighted average price of all transactions with natural gas, including those relating FTG, notified in PVT for that gas day in question; if there were no transactions notified in PVT, it will be taken into account the weighted average price of all transactions with natural gas performed within BRM and OPCOM for the gas day in question; given the low liquidity of the wholesale market on short term, in the situation where for the gas day in question there were no transactions, it will be taken into account the weighted average price of the last day for which there were transactions notified in PVT.

Caj - is the adjustment component representing a percentage of 10%.

B.2. In the situation where, at the level of a gas day, the imbalances amount registered by the UR being in a state of imbalance with title Deficit is higher than the imbalances amount registered by the UR being in a state of imbalance with title Surplus, and OTS has not performed purchase transactions, for the gas day in question, for physical balance of SNT, the prices applicable for sale/purchase of the natural gas quantities being in daily imbalance at the level of UR **are those established in compliance with the calculation methodology of the imbalance tariffs mentioned at point A., for the gas day in question.**

C.1. In the situation where, at the level of a gas day, the imbalances amount registered by the UR being in a state of imbalance with title Deficit is lower than the imbalances amount registered by the UR being in a state of imbalance with title Surplus, and OTS has sold, in the gas day in question, according to provisions of point 2.6., quantities of natural gas for physical balance of SNT, the prices applicable for sale/purchase of the natural gas quantities being in daily imbalance at the level of UR are:

- for the UR being in a state of imbalance with title **Surplus** and **for that quantity of daily imbalance which falls within the accepted tolerance limit of 5%**, the price applicable for sale by the UR to OTS of the natural gas quantity in question is **the weighted average price of sales transactions performed by OTS for the gas day in question;**
- for the UR being in a state of imbalance with title **Surplus** and **for that quantity of daily imbalance which exceeds the accepted tolerance limit of 5%**, the price applicable for sale by the UR to OTS of the natural gas quantity in question is **the marginal sales price.** The marginal purchase price is given by **the highest value between the following two:**
 - a) the lowest price at which OTS has performed purchase transactions for the gas day in question (**CMMPV**);
 - b) the weighted average price of the purchase transactions performed by OTS for the gas day in question (**P1VIPV**) minus and adjustment of **10%** of this price,

on the ground of the following formula: $PMV = \min(CMMPV, PMPV \times 90\%)$

- for the UR being in a state of imbalance with title **Deficit** and **for that amount of daily imbalance which falls within the accepted tolerance limit of 5%**, the applicable price at the sale by the UR from OTS of the natural gas quantity in question is **the weighted average price of all transactions with natural gas, including those related to FTG, notified in PVT for the gas day in question;** if there were no transactions notified in PVT, it will be taken into account the weighted average price of all transactions with natural gas performed within BRM and OPCOM for the gas day in question; given the low liquidity of the wholesale market on short term, in the situation where for the gas day in question there were no transactions, it will be taken into account the weighted average price of the last day for which there were transactions notified in PVT.

- for the UR being in a state of imbalance with title **Deficit** and **for that amount of daily imbalance which exceeds the accepted tolerance limit of 5%**, the applicable price is the purchase by the UR from OTS of the natural gas quantity in question **the marginal purchase price**, established in compliance with the following formula:

$$PMC = PMP \times (1 + Caj), \text{ where:}$$

PMC - is the marginal purchase price.

PMP - is the weighted average price of all transactions with natural gas, including those relating FTG, notified in PVT for that gas day in question; if there were no transactions notified in PVT, it will be taken into account the weighted average price of all transactions with natural gas performed within BRM and OPCOM for the gas day in question; given the low liquidity of the wholesale market on short term, in the situation where for the gas day in question there were no transactions, it will be taken into account the weighted average price of the last day for which there were transactions notified in PVT.

Caj - is the adjustment component representing a percentage of 10%.

C.2. In the situation where, at the level of a gas day, the imbalances amount registered by the UR being in a state of imbalance with title Deficit is lower than the imbalances amount registered by the UR being in a state of imbalance with title Surplus, and OTS has not performed sales transactions, for the gas day in question, for physical balance of SNT, the prices applicable for sale/purchase of the natural gas quantities being in daily imbalance at the level of UR **are those established in compliance with the calculation methodology of the imbalance tariffs mentioned at point A., for the gas day in question.**

3. REASONS FOR PROVISIONAL MEASURES APPLICATION

The establishment and application of provisional measures represent a necessity arising from the current development status of the wholesale gas market on the short term defined by a low liquidity and lack of daily and inter-daily trading products.

These characteristics do not allow use of short-term standardized products which could be traded on a trading platform, a balancing action provided by the Regulation. Consequently, in the absence of a balancing platform which could be used as a provisional measure in compliance with article 47 of the Regulation, S.N.T.G.N. Transgaz S.A. considers appropriate the application of the measures described in the previous chapter because of the following reasons:

- the solution described enables the transfer of some quantities of natural gas between the network users in order to balance their own portfolios, through an IT platform provided by OTS, even if it is not yet in the terms provided by the Regulation for a real trading platform;
- by the OPS opportunity to undertake actions of balancing through the centralized natural gas markets in Romania, it automatically contributes to an increase of liquidity on the short-term wholesale market.

4. DISPOSAL OF PROVISIONAL MEASURES

Within 5 years from the enforcement of the Regulation, i.e. until April 16, 2019, OTS should eliminate the provisional measures and implement all the Regulation provisions.

OTS must take steps to ensure compliance with the criteria laid down by the Regulation, at least within a trading platform which has to:

- a) provide sufficient support along the gas day for the network users, in order to trade, and for OTS, in order to undertake appropriate balancing actions through the trade with relevant short-term standardized products;
- b) provide a transparent and non-discriminatory access;
- c) supply services under the principle of equal treatment;
 - d) ensure the anonymity of trading at least until the conclusion of a transaction;
 - e) offer a detailed overview of current offers for all trading participants;
- f) ensure that all transactions are duly notified OTS.

Given the fact that the provisional measure proposed by S.N.T.G.N. Transgaz S.A. consists in an alternative to the balancing platform, the first step OTS proposes is to take all necessary steps in order to establish and develop a balancing platform pursuant to article 47 of the Regulation, aiming its use starting with 2017 -2018 gas year.

Also, according to provisions of article 8, paragraph (6) of the Regulation, S.N.T.G.N. Transgaz S.A. will annually evaluate the balancing services they render and analyze how they contribute to market liquidity increase. Following these assessments and analyses, OTS will annually consult with ANRE for the identification of potential stimulation measures of the network users for a potential market liquidity increase, so the Regulation could be applied to the full.

5. Reference documents

No.	Reference document	Status	Date of last change
1	Regulation (CE) no. 715/2009 regarding conditions for access to the natural gas transport networks and repeal of Regulation (CE) no. 1775/2005	in force	October 14, 2013
2	Regulation (UE) no. 312/2014 to establish a Network Code regarding gas transport networks balancing	in force	March 26, 2014
3	The ANRE Chairman Order Project regarding the change of the Network Code for the National System of natural gas transport	sent by ANRE	September 4, 2014
5	<i>ACER ENTSOG Questionnaire for early implementation of the Balancing Network Code</i>	sent by ANRE	<i>August 8, 2014</i>
6	<i>Supporting Document for Public Consultation on the Draft Code on Balancing (BAL 241-12)</i>	<i>in force</i>	<i>April 13, 2013</i>