



THE NATIONAL ENERGY REGULATORY AUTHORITY NERA
GENERAL DIRECTORATE OF GAS MARKET, REGULATED
PRICES AND TARIFFS

To,

N.G.T.C. TRANSGAZ S.A. Mediaș

Mr. Petru Ion VĂDUVA – General Manager

N.E.R.A. 3

INPUT

OUTPUT No. 81796

November 12th, 2015

SNTGN TRANSGAZ SA

Input No. 54869

November 12th, 2015

Dear General Manager,

In accordance with the provisions of art. 46 par. (4) of the Regulation (EU) no. 312/2014, NETA adopted at the meeting of the Regulatory Committee of NERA, dated November 11th, 2015, the **Decision no. 2296/November 11th, 2015 approving the Report of the National Gas Transmission Company "Transgaz" S.A. Mediaș on the implementation of interim measures in accordance with the provisions of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks**, attached to this.

Furthermore, we inform you that the NERA decision no. 2296/November 11th, 2015, accompanied by the Report of N.G.T.C. TRANSGAZ S.A. on the implementation of interim measures in accordance with the provisions of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks, shall be notified shortly by NERA both to the European Commission and the Agency for the Cooperation of Energy Regulators - ACER.

Yours sincerely,

General Manager,

Alina TACHE

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DECISION no. 2296/November 11th, 2015

approving the Report of the National Gas Transmission Company "Transgaz" S.A. Mediaș on the implementation of interim measures in accordance with the provisions of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks

Whereas:

- the provisions of art. 45 par. (1) and (3) and art. 46-50 of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks,
- the provisions of art. 99 lett. d) and 1) of the Electricity and Gas Law no. 123/2012, as amended and supplemented.

Taking into consideration:

- the final version of the Report of the National Gas Transmission Company "Transgaz" S.A. Mediaș on the implementation of interim measures in accordance with the provisions of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks (*Report*), communicated to the National Energy Regulatory Authority through letter no. FAX/DG/DRL.53.910/November 6th, 2015, registered with NERA under no. 80485/November 9th, 2015,
- the proposals and the observations made by economic operators in the gas sector, including the related, in the rounds of public consultation on the intermediate versions of the Report conducted in the periods October 10th-14th, 2014, July 1st-13th, 2015, July 31st-August 17th, 2015 and October 2nd-12th, 2015,
- the replies after carrying out the consultation procedure provided for in art. 46, par. (5), in conjunction with the provisions of art. 27 par. (2) of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks (*Regulation*) by the energy regulatory authorities

in Bulgaria - Energy and Water Regulatory Commission (EWRC) and Hungary - Energy and Public Utility Regulatory Authority (Mekhi), regarding the content of the version dated July 30th, 2015 of the Report,

- the fact that the low number of transactions concluded in the Romanian centralized markets, as well as the typology of trading products used in these centralized markets, characterized by a lack of use of trading daily products, either standard or non-standard, have led, so far, to an insufficient development of the wholesale gas market in the short term, so that it may be considered the implementation of one or more provisional measures as provided for by Regulation,
- the fact that the liquidity level of the wholesale gas market in the short term in Romania is insufficient and the Romanian centralized gas markets do not provide the necessary conditions for the trading of the standardized products in the short term provided for by the Regulation, as well as for the trading of title products, locational products, temporal products and locational-temporal products at daily level.
- the fact that the National Gas Transmission Company "Transgaz" S.A. Mediaș, as operator of the National Gas Transmission System from Romania does not have at present a balancing platform, this having to take measures to create a balancing platform, as provided for in art. 47 of the Regulation, measures whose implementation requires time,
- the interim measures proposed in the Report, namely: a) the use of an alternative balancing platform b) the use of a tolerance level of 5% on the amount of daily imbalance of the network users and c) the application of temporary tariffs of daily imbalance, based on a methodology for calculating the daily imbalance tariffs according to which the charged price is derived from market price indicators, as well as the detailing, in the Report, of their application,
- the fact that, after analysing the Report, the National Energy Regulatory Authority found that the content elements provided for in art. 46 par. (1) of the Regulation were approached in it, namely: the description of the development stage and the liquidity of the wholesale gas market in the short term at the time of drawing up the report, the proposed interim measures and the reasons for their application, as well as the description of the actions to be carried out in order to eliminate the interim measures and an evaluation of the related schedule,

- the fact that, from the analysis of using an alternative balancing platform, as an interim measure, it resulted that this may contribute to an increased liquidity in the short term of the Romanian wholesale gas market in the near future, taking into consideration also the option of the National Gas Transmission Company "Transgaz" S.A. Mediaș to trade balancing gas, by sale/purchase, as appropriate, mainly on the centralized gas markets that provide the conditions which are necessary for the accelerated development of the wholesale market in the short term, by increasing the frequency of the sale/purchase of balancing gas, even if the volumes which are traded in this way will not be significant,
- the fact that the effective implementation of the alternative balancing platform, as an interim measure, namely, the transactions for the sale/purchase of gas which are conducted by the National Gas Transmission Company "Transgaz" S.A. Mediaș in order to balance the NTS, cannot be achieved effectively without the standard contracts mentioned in the Report, whose role is precisely to compensate for the absence of contracts related to the daily and intra-day products of trading, which are specific in the Romanian centralized gas markets, leading to the need to impose a deadline for their transmission to the National Energy Regulatory Authority for approval,
- the fact that the interconnections of the Romanian National Gas Transmission System with the adjoining gas transmission systems do not allow, in all cases, the flow of gas in both directions, and the technical capacity of the bidirectional interconnection points is insufficient for the network users to undertake actions to balance their portfolios, especially if they would intend to sell in neighbouring states quantities of gas related to the imbalances, and the information that the National Gas Transmission Company "Transgaz" S.A. Mediaș can currently provide to the network users during the delivery day concerns only the state of imbalance recorded at the NTS level, not also the state of imbalance recorded at the level of each network user, which requires the use of a tolerance level in order to reduce the financial exposure of the network users to the marginal selling price or the marginal purchase price, in accordance with the provisions of art. 50, par. (3) of the Regulation,
- the fact that the analysis of the calculation method of the daily imbalance quantity falling within the tolerance level, by reporting the percentage of 5% at the final allocation in entry or exit points in/from the National Gas Transmission System,

demonstrated that it contributes to reducing the financial exposure of the network users concerning the equivalent value of the recorded imbalances, stimulating at the same time the network users to try to maintain the state of their own portfolios as close as possible to the steady state, including by conducting transactions during the delivery day,

- the fact that, from the analysis of the calculation methodology of the daily imbalance tariffs based on the derivation of the price applicable from market price indicators which are proposed in the Report, it was found that it follows the general principles on determining the applicable price provided for in art. 22 of the Regulation, concerning the application of the marginal selling price and the marginal purchase price for those gas quantities which are related to the daily imbalance representing the difference between the total quantity of daily imbalance and the quantity of daily imbalance that would correspond to the tolerance level of 5%,
- the fact that the prices that applicable in the situation of some imbalances are transparent market prices, which are determined based on the prices related to the transactions concluded in the Virtual Trading Point or the Romanian centralized gas markets, which creates the prerequisites for the development of these markets and their degree of liquidity,
- the fact that in the Report it is specified only the period when the balancing platform would be available, but not also the detailed schedule of the activities considered for its realization and operationalization, which leads to the need to impose a deadline for communicating this schedule to the National Energy Regulatory Authority, in order to follow the implementation on time of the proposed activities, especially in the context in which the interim measures mentioned in the report explicitly refer only to the gas year 2015-2016,
- the fact that the diversity of the balancing regimes applied in the neighbouring states of Romania, namely balancing regimes which are fully consistent with the one provided for by the Regulation, like Hungary, balancing regimes which are based on the implementation of interim measures, like Bulgaria, and balancing regimes which are inconsistent, at this time, with the one provided for by the Regulation, such as Moldova, Serbia and Ukraine, makes it difficult to harmonize the Romanian balancing regime with the balancing regimes of the neighbouring states,

- the fact that, in the above-mentioned context, through its degree of compliance with the requirements of the Regulation, the Report contributes, at least at the level of the regulatory frame, to the harmonization of the balancing regime applicable under the interim measures which are proposed with the balancing regime provided for by the Regulation, ensuring the conditions which are necessary for a greater flexibility in the flow of gas between Romania and the neighbouring Member States, in order to facilitate the gas trade between the adjacent balancing areas and the market integration of Romania into the European unique market,
- the fact that the analysis of the Report shows that it does not contain discriminatory provisions, the tolerance level and the calculation method of the imbalance tariffs to be applied, in the same manner, to all the network users,
- the fact that both the contract of transmission through the pipeline Isaccea I - Negru Vodă I, concluded under the Intergovernmental Convention of November 29th, 1970 between the Governments of Romania and Bulgaria, as well as the Intergovernmental Convention of December 29th, 1986 between the Governments of Romania and the USSR under which it was concluded the contract of transmission through the pipeline Isaccea II - Negru Vodă II, cease on January 1st, 2017, when the regime applicable to the two pipelines will be entirely governed by the provisions of European regulations,
- the need of periodical updating of the Report, of the evaluation of the balancing activities carried out under it in the period preceding the first updating, of the presentation of the interim measures proposed for implementation in the next gas year, as well as the specification of the way in which the provisions of the Regulation will be applied at the level of the pipelines Isaccea I - Negru Vodă I and Isaccea II - Negru Vodă II, after January 1st, 2017.

Pursuant to:

- art. 46 par. (4) of Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks,
- art. 5 par. (1) lett. d) and art. 10 par. (1) lett. a) of the Government Emergency Ordinance no. 33/2007 on the organization and functioning of the National Energy Regulatory Authority, approved with amendments by Law no. 160/2012,

the president of the National Energy Regulatory Authority issues the following

DECISION

Art. 1. - The approval of the Report of the National Gas Transmission Company "Transgaz" S.A. Mediaş on the implementation of interim measures in accordance with the provisions of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks.

Art. 2. - Within no more than 10 days from the date of communication of this decision, the National Gas Transmission Company "Transgaz" S.A. Mediaş is required to prepare and submit to the National Energy Regulatory Authority, for approval, the standard contracts for the sale and purchase of balancing gas provided for in Chapter 2.6. - "The role of TSO in the physical balancing of NTS" from the Report.

Art. 3. - Within no more than 45 working days from the date of communication of this decision, the National Gas Transmission Company "Transgaz" S.A. Mediaş is required to submit to the National Energy Regulatory Authority the following:

- a) the detailed description of the actions and the related schedule, which it intends to undertake in order to ensure the compliance with the criteria provided for by the Regulation, at least within a trading platform, until April 16th, 2019, provided for in the Report for the elimination of the proposed interim measures;
- b) the detailed schedule of the activities which are considered for the realization and the operationalization of the balancing platform provided for in Chapter 4 - "Elimination of the interim measures" from the Report.

Art. 4. - Until June 15th, 2016, the National Gas Transmission Company "Transgaz" S.A. Mediaş is required to transmit to the National Energy Regulatory Authority, for approval, the updated version of the Report, including an evaluation of the balancing activity carried out in the period December 1st, 2015-June 1st, 2016, the interim measures proposed for implementation in the gas year 2016-2017, as well as the way to apply the provisions of the Regulation (EU) no. 312/2014 of the Commission of March 26th, 2014 establishing a network code on gas balancing of transmission networks in the pipelines Isaccea I - Negru Vodă I and Isaccea II - Negru Vodă II, starting from January 1st, 2017.

Art. 5. - This decision is communicated to the National Gas Transmission Company "Transgaz" S.A. Mediaş and published, with the Report in Romanian and in English, on its website, within maximum 3 working days from its receipt.

Art 6. - The National Energy Regulatory Authority notifies this decision to the Agency for the Cooperation of Energy Regulators and the European Commission.

Art. 7. - The National Gas Transmission Company "Transgaz" S.A. Mediaş fulfills the provisions of this decision, the National Energy Regulatory Authority fulfills the provisions of art. 6 of the decision, and the specialized directorates within the authority follow their compliance.

**President
of the National Energy Regulatory Authority**

Niculae Havrilet

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