
12th Stakeholder Group Meeting
GAS REGIONAL INITIATIVE – SOUTH SOUTH-EAST

Vienna, 31st of May 2012, 09:00-13:30

Fleming's Hotel, Josefstädterstraße 10-12, 1080 Vienna

Draft Minutes

v.1

--- Please do also refer to the meeting guide of the SG meeting for more detailed information on the presentations-----

1 Opening

Mr. Schmöltzer and Mr. Cariello welcomed the participants of the SG meeting and gave a quick presentation of the points on the agenda. The minutes of the 11th SG meeting were approved, as well as the agenda of the 12th SG meeting.

2 Update on Gas Regional Initiatives developments

Mr. Schmöltzer reminded participants of the outcome of the XXI Madrid Forum (22 to 23 March 2012), underlining that the Work Plan, which was last updated in February 2012, is already very well aligned with the preconditions of the Forum. The Forum asks for a focus to be put on pilot projects that will test the early implementation of network codes, especially in the areas of capacity allocation and balancing. Mr. Schmöltzer also reported that the Forum also welcomed the commitment of ENTSOG to encourage TSOs, with the full involvement of relevant NRAs and Member States, to work towards setting up a number of regional pilot projects and regional pilot platforms for the early implementation of coordinated capacity allocation procedures.

Mr. Lelovitis gave an update on ACER's involvement in the work of the Gas Regional Initiatives. He underlined the need for TSOs and regulators to consider regional cooperation through the Regional Initiatives as an obligation stemming from the 3rd package rather than as a voluntary activity. Referring to the discussion held at the Strategic Advisory Panel meeting on the 30th of May, Mr. Lelovitis announced that ACER would take a closer look on ways to ensure participation from stakeholders, regulators and Member state representatives from all countries of the region.

3 Capacity allocation and bundled products

Mr. Menditti from TAG GmbH gave a presentation on the state of play of Pilot Project III - Coordinated short term capacity services at the Arnoldstein/Tarvisio IP between Austria and Italy. As announced during the GRI SSE Stakeholder meeting held in Vienna on 06.12.2011, TAG GmbH implemented – starting from 29 February 2012 - on its Website an automatic procedure to offer Day-Ahead transportation capacity on interruptible basis as a pilot project creating an internet-based platform for Day-Ahead capacity at Austrian /Italian border. Mr. Menditti reported on the outcome of a consultation conducted among shippers on the timing of the auction and the publication of aggregated results on the website.

Since the procedures applied at the two sides of the IP do not yet allow for it, the product currently offered is not strictly speaking a bundled one and the auction takes place only at the Arnoldstein side of the IP. Reminding that the 2011- 2014 work plan foresees a coordinated capacity auction, Mr. Cariello outlined a way forward on how this could be achieved. As an interim solution, the Italian regulator decided for a modification of the rules to use the entry capacity at Tarvisio so to allow shippers to nominate an extra amount of capacity according to the results of the TAG's daily auction.

To go further towards the implementation of the pilot project, E-Control Austria and AEEG have established a joint task force, involving also TAG and SNAM, to design the main features of the evolution of the current arrangement. Not all the provisions of the current version of the CAM network code are implementable in the short term, thus a need to identify also an intermediate step of development. The intermediate step is going to be developed by the TSOs on the basis of joint guidelines issued by the regulators upon consultation of market participants.

Regulators agreed to submit a draft of these joint guidelines to TSOs, for discussion and comments, before being submitted to public consultation.

Mr. Stindl from Gasconnect Austria said that as a TAG shareholder, his company could only welcome the pilot project. However, he saw some room for contradictions between the market model for the Austrian gas market and the pilot project – a statement that was opposed by Mr. Schmöltzer. Mr. Stindl suggested waiting for some months in order to explore whether a European platform could be joined.

Mr. Di Benedetto from SNAM gave a short update on the state of play concerning the establishment of an OBA at the Arnoldstein-Tarvisio Interconnection Point. The OBA should go live on the 1st of October and TSOs are currently finalizing discussions on thresholds.

Mr. Kehr from Net4Gas presented the state of play and recent development concerning the GATRAC project. In spring 2011, GRTgaz joined the project and Eustream announced during the last GRI SSE meeting of December 2011 that the TSO was also in the process of joining GATRAC. A kick off meeting to that end was held shortly after December's GRI meetings, and an implementation concept developed from February 2012. Registration for Eustream should go live on the 18th of June and the full product should be operational from 01 July 2012. New participants are invited to join the project.

Mr. Rossi from EFET presented the traders' view on pilot projects on capacity allocation, underlining that EFET encourages the development of further pilot projects on this issue, making bundling possible, but not mandatory. Shippers were concerned about the temporary solution implemented at Tarvisio/Arnoldstein and deplored a lack of communication on the extension of the above solution. As a further contribution to the future auction design, Mr. Rossi was in favour of setting the reserve price future auctions of within-day capacity close to the short run marginal cost.

4 Enabling Market Integration

Mr. Steiner from **CEGH** AG gave a presentation on the Central European Gas Hub with regard to the Pilot Project V – Cross Regional Balancing Platform. The functioning of the hub and new development, also reflecting changes in the Austrian gas market model, were presented. The overall aim of the pilot project is to provide a one stop shop for cross regional trade including the virtual trading point Austria. Having consulted its clients, CEGH determined a within-day capacity market as the most preferred option for cross-border balancing. Auctions on the corresponding platform will take place hourly, with a single clearing price.

Ms Wernig and Mr. Krug from E-Control Austria presented on Pilot Project VI – Structure of future regional balancing and trading, concerning the implementation of the **Gas Target Model** in the GRI SSE region. E-Control and other sponsors, Net4Gas, Eustream and CEGH, will launch a study analysing ways to implement the measures proposed in the Gas Target Model in the GRI SSE region. Participation in the study is open to all NRAs and stakeholders and interested parties are warmly welcomed to still join the study. Issues to be addressed in the study, for which the kick-off meeting is to take place in June 2012, are the institutional perspective for a potential CEE trading region, how market participants would cooperate and how a process model for the trading region could look like.

Furthermore, E-Control did conduct a macroeconomic analysis of cross-border market integration. The issues analysed included capacity utilization at major European IPs and an estimation of social welfare and price convergence in selected regions.

5 Infrastructure

Mr. Schmöltzer gave an introduction to the issue of **Gas regional investment plans (GRIPS)**.

Ms. Krausová from Net4Gas presented the work done on the CEE GRIP. The plan was published in early 2012 and a workshop took place in March. Projects included in the plan are divided into projects for which a final investment decision has been taken and those for which this is not yet the case. The projects are further divided by the type of infrastructure (transmission, storage, LNG and others).

As a conclusion of the plan, the overall supply demand balance improves over the 10-year range owing to the FID projects to be implemented.

However there are still two sub-regions that will not have enough capacity (including all FID projects) to achieve full supply demand balance under Peak Daily Demand conditions, which are:

- Poland without disruption, and under the scenario of a Belarus and Ukraine disruption,
- Hungary, Croatia, Romania and Bulgaria under the scenario of a Ukraine disruption

Nevertheless the problems and gaps identified by this assessment could be removed by non-FID projects listed in CEE GRIP 2012-2021 with the exemption of Poland under Belarus disruption and Ukraine disruption mainly occurring in mid-2010s.

The overall analysis of the CEE GRIP also confirmed the need to develop transmission systems in North-South direction to complete N-S corridor in the CEE region.

Mr. Florentin from DESFA presented the Southern Corridor GRIP, describing the approach and structure of the plan and underlining the specific challenges of the countries covered by the plan. The region is characterised by the importance of 3rd party sponsored projects for transit of Eastern gas to Europe, many of them in competition with each other, many bi-directional, interconnection and reverse flow projects that will enhance market integration and security of supply and projects creating new entry points in the region and providing flexibility.

The Southern Corridor GRIP was published on the 4th of April 2012. It provided a valuable platform for information exchange and cooperation between the TSOs of the Region. The next issue of the SC GRIP will include a demand & supply analysis that will demonstrate the impact of the interconnection, reverse flow and storage projects on filling eventual infrastructure gaps, on the security of supply and on the market integration in the Region.

Preceding a meeting of the regional working group on the afternoon, Ms. Zsigri from the European Commission presented the work of the European Commission with regard to the Energy Infrastructure Package and the identification of projects of common interest (PCI). The tasks of the working groups were described as follows:

- Perform market analysis
- Identify project information relevant for project evaluation (project questionnaire)
- Project promoters shall submit project proposals, including an assessment of the projects' contribution to the priority corridor
- Co-ordination with gas working groups of North-South (NSI) West, Baltic Sea Region (BEMIP) Working Group and Southern Gas Corridor
- Public consultation on proposed projects
- Agree on weighting for project evaluation criteria
- Evaluation of submitted project proposals
- Agree on draft regional project list

Ms Zsigri also provided information on the timescale for the next meetings.

6 Security of Supply

Security of supply was identified as a crucial issue by stakeholders and has therefore been included to the Work Plan at its latest update in February. Mr. Filipi, representing the competent authority in the Czech Republic (Ministry of Industry and Trade) provided an update on the work on the emergency and preventive action plans currently being carried out. The overall situation

concerning security of supply in the Czech Republic is assessed positively, due to a robust network, diversification of sources and routes, storage and reverse flow mechanisms on main transport infrastructure.

The emergency and preventive action plans are to be consulted by Member states/the competent authorities with their neighbouring countries.

7 AOB and Next meetings

The meeting schedule for the next months was presented. The next series of meetings will take place in early December 2012, most probably on the 5th of December (tbc) taking into account holiday constraints.