
6th Gas Advisory Council

Vienna, 29 January 2013

2013 Work Program for WS2

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Issues discussed, results achieved & documents delivered in 2012 (plus some proposals for 2013)

Glossary of Gas Market Terms (proposed as regular rolling activity to result in | “Explanatory Paper on the Third EU Energy Package (gas) Terminology”)

Non-binding Guidance paper on handling the transition from point-to-point to entry-exit systems (based on Austrian “Gas Law” which is example of possible though not necessary universal rule within EU => Workshop proposed)

Paper on mechanisms determining market demand for capacity (EU-wide coordinated “Open Season” procedure => on Jan’28 WS2 case study proposed)

Regular updates on current Framework Guidelines and Network Codes (CAM, Balancing, IO)

Initial discussion on gas pricing (to discuss later: which way to proceed further with this issue => one of possible options: evolution of contractual structures & pricing mechanisms leads to increase multiplicity of choices for market players)

Proposal of a list of issues related to the Russian gas market (to continue => 2 case studies proposed during Jan’28 WS2 meeting)

Visit to Gazprom’s Central Dispatch Center



Way Forward in 2013

- In 2012, WS2 has primarily focused on EU Internal Market Issues (*since its effective & timely implementation is a key priority for the EU till 2014 - Ph.Lowe, GAC July 2012*)
- Closer cooperation with the other work streams is likely to emerge in 2013, esp. with WS3
- Cooperation with WS3 in particular through the organization of mutually complimentary agenda & back to back meetings



WS2 & WS3 cooperative activities in 2013 (coordinated proposal of 28.01 WS2 & WS3 meetings)

Four avenues to implement/develop gas infrastructure projects destined for the EU exist based on:

- 1) Supply to external EU border (no interest for WS2 & WS3)
- 2) Supply into EU territory based on full implementation of 3rd Package core rules without any exemptions (ownership unbundling, TSO to invest (Art. 13.2), supplier is a shipper, etc.) **(WS2 case-study proposed + joint WS2-WS3 Workshop on CAM NC on 11-12.03)**
- 3) Supply into EU territory based on:
 - a) partial deviation from core 3rd Package rules via Art. 36 exemptions **(current mainstream EU rules)**
 - b) special PCI (*projects of common interest*) regime (exists) **(WS3 case-study proposed on RUS 10YNDP 2013-2022 projects)**
- 4) Supply into EU territory based on special PMI (*projects of mutual interest*) procedures to be developed based on “EU best plus” regime (to cover the whole project route from well-head outside the EU to end-user within EU)(combination of internal EU & non-EU rules on mutually complimentary basis) => **WS3 case-study to be thought about (?)**



Substance of debate on transition from point-to-point to entry-exit systems

Delivery point at the flange at the border (**Trade (Physical market) & Delivery**)

Prior to “Entry-Exit” regime & “Bundled products” are implemented

Country/Zone B

Country/Zone A

Virtual hub (Trade (both Physical & Paper markets) & Delivery)

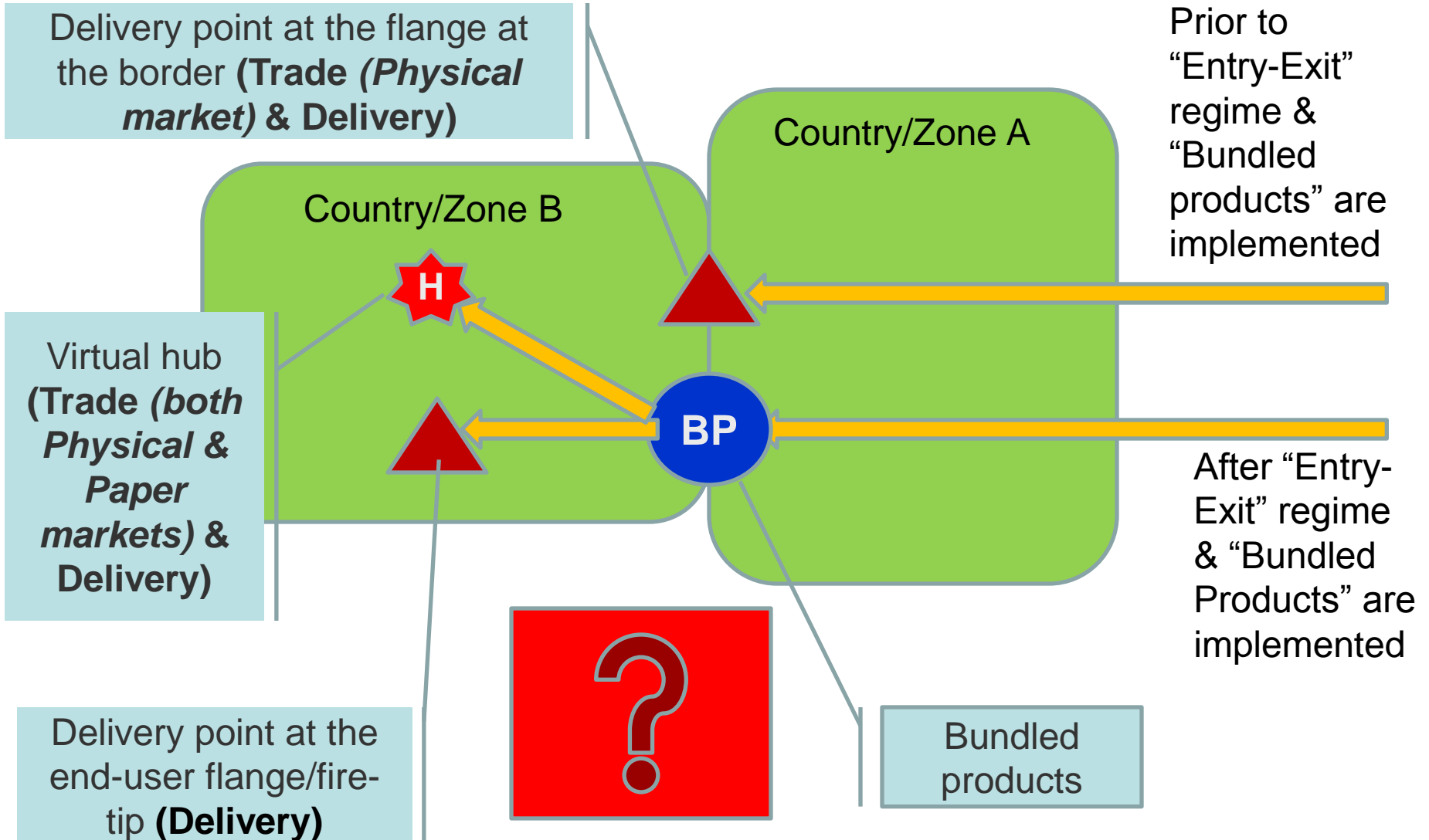


After “Entry-Exit” regime & “Bundled Products” are implemented

Delivery point at the end-user flange/fire-tip (**Delivery**)



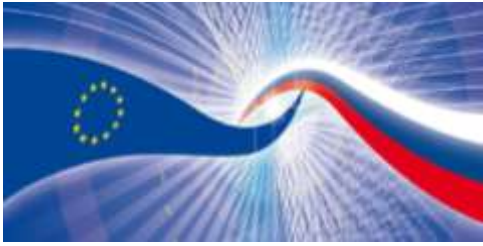
Bundled products





Proposal on further debate on transition from point-to-point to entry-exit systems (2)

- 1) Whether CAM NC provision on “bundled capacity” requires mandatory delivery of gas ONLY at hubs (VTP) or allows delivery BOTH at hubs AND directly at end-user flange/fire-tip (by-passing hub after entering zone of final destination)
- 2) Assurances of possibility to preserve existing delivery points at borders were given to RUS side (GAC conclusions)
- 3) For RUS side it is important to maintain existing border delivery points (at least for existing contracts) since their switch to hubs (VTP) creates significant economic risks & uncertainties (both price & volume risks)
- 4) Proposal to further discuss this issue in detail at (joint WS2 & WS3) Workshop scheduled for 11-12 March 2013



PROPOSALS FOR 2013



3rd Energy Package - general & specific

Subject Area	Activity	Description
3 rd Package	Provide Regular Updates on NC Development	The EU side shall provide regular updates on the FG/NC process (especially CAM, Balancing, Tariffs, IO) followed by discussions of specific Gazprom concerns in this respect (e.g. holding back capacity for short-term trading, bundling capacity at interconnection points, sunset clause, re-nomination rights, etc.)
	Continue with the Glossary of Terms	Clarification of new terms added to the Glossary (e.g. key terms used in the NCs as requested by Gazprom) => development of Glossary into “Explanatory Paper on the Third EU Energy Package (gas) Terminology”
	Workshop on implementation of CAM NC	Clarification of rules & procedures of CAM NC based on specific case/example (joint WS2 & WS3 workshop proposed for 11-12 March)
	Case-study / workshop on implementation of EU-wide coordinated Open Season (TBD)	To test how core 3 rd Energy package rules can be implemented for the development of incremental capacity based on market demand for it WITHOUT any exemptions/derogations from these core rules (ownership unbundling, TSO to invest (Art. 13.2), supplier as a shipper, etc.)



Interoperability/Technical Issues (moved to WS3)

Subject Area	Activity	Description
Interoperability/Technical Issues	Identify existing barriers in the interoperability of EU and Russian network access conditions and develop proposals to eliminate them	The overall aim is to ensure that users of transmission systems in and outside of Europe do not face technical, commercial, operational or communications-related barriers in addition to the obstacles they would face if the relevant networks were efficiently operated by a single entity. Relevant topics for discussion are e.g. harmonization of the gas day, organized exchange of operational and technical data for capacity calculation and balancing operations as well as gas quality.



Russian Gas Market Issues (left within WS2 to politically balance WS2 agenda)

Subject Area	Activity	Description
<p>Russian Gas Market Issues</p>	<p>Provide information and experience on the Russian pipeline access regime and identify existing opportunities / barriers for EU (and other international) companies to access Russia's gas transportation system.</p> <p>WS2 Jan'28 meeting agreed on two case studies:</p> <p>(a) on booking transportation capacity for long-term gas field production &</p> <p>(b) on transmission rates methodology</p>	<p>The discussion shall focus on the identification of pipeline access regime by analyzing both the regulatory framework as well as practical experience in this regard. A description of existing rules & procedures for EU (and other international) companies with gas in Russia should be drawn up with a particular examination of opportunities / barriers to access Russian customers and directly export gas from production in Russia.</p>



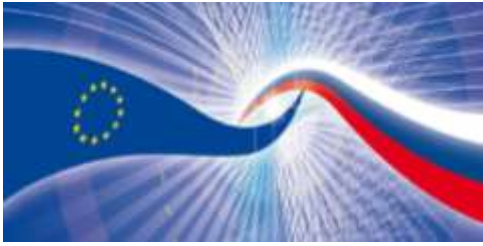
Possible Cooperation with WS3

Subject Area	Activity	Description
<p><i>Infrastructure</i></p>	<p><i>Potential cooperation on selected issues discussed with WS3</i></p> <p><i>Jan'28 WS2 & WS3 agreed on:</i></p> <ul style="list-style-type: none"> <i>(a) Workshop on CAM NC implementation on March 11 (12),</i> <i>(b) Back-to-back WS2 & WS3 meetings on March 11-12 (agenda items partly agreed)</i> 	<p><i>At the 4th GAC meeting (July 2012) it was agreed that WS3 should focus on promoting new gas infrastructure projects including the elaboration of a list of criteria to define projects of mutual interest.</i></p> <p><i>Potential collaboration with WS3 could be envisaged on issues overlapping with the competence of the Internal Market Work Stream.</i></p>
<p><i>Further requests from GAC</i></p>	<p><i>tbd</i></p>	<p><i>tbd</i></p>



Draft conclusions of 29/01/2013 GAC meeting on WS2 activities

- GAC takes note of WS2 activities in 2013
- GAC supports WS2 Work Programme for first half of 2013 presented by co-chairs, inter alia:
 - Continuation on Glossary of terms aimed to be developed into regularly updated “Explanatory Paper on the Third EU Energy Package (gas) Terminology”,
 - Proposed Case Study on full implementation of 3rd Package core rules without exemptions,
 - Continuation of debate on transition from point-to-point to entry-exit systems (incl. at the Workshop 11-12 March)
 - Joint with WS3 Workshop on CAM NC implementation (11-12 March)
 - Continuation of information exchange on Russian internal gas regime



Any comments and further ideas are welcome

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