

SUMMARY OF EVENTS IN THE 3RD AND 4TH QUARTER OF THE GAS YEAR 2019/2020

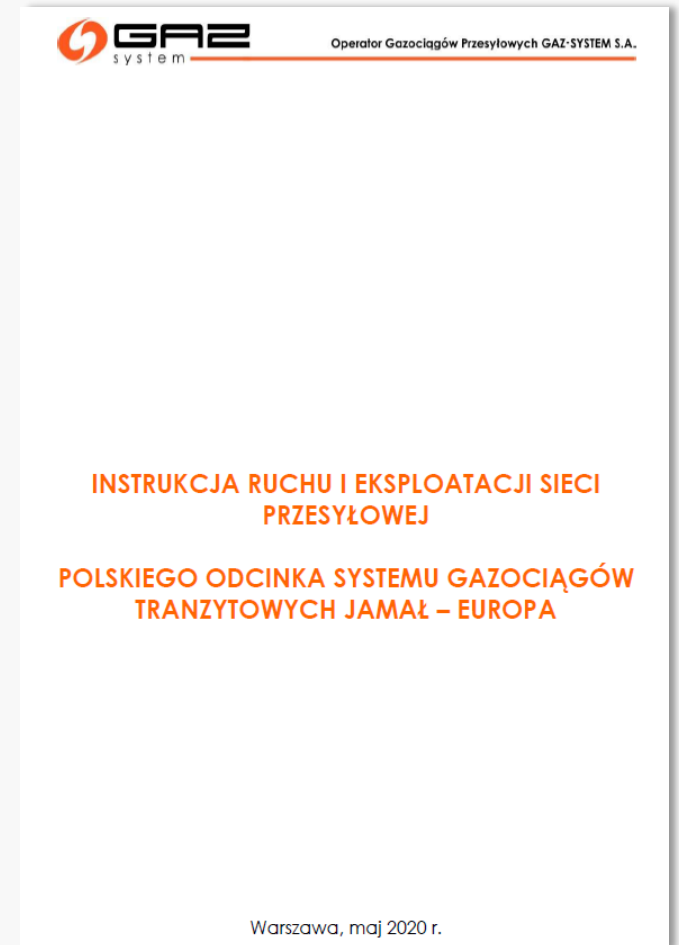
Piotr Kuś, Deputy Director of the Gas Market Development
Division

GAZ-SYSTEM FORUM
Warsaw, 30.09.2020



NEW TGPS TNC

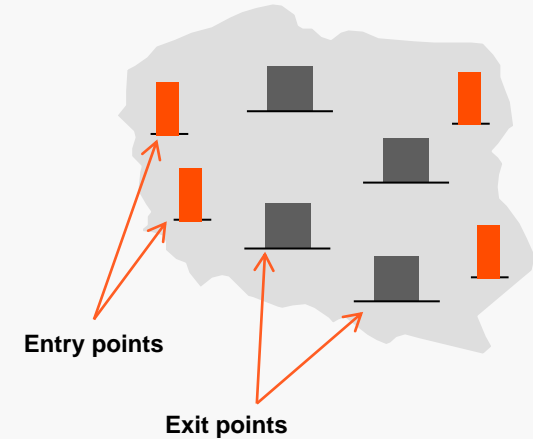
- ▶ By the decision of 27 May 2020, the President of the Energy Regulatory Office **approved** the Transmission Network Code of the Polish Section of the Transit Gas Pipeline System Yamal – Europe .
- ▶ **The new TGPS TNC is effective as of 1 June 2020.**
- ▶ The new TGPS TNC has been adopted to the provisions of the **entrustment contract concluded by GAZ-SYSTEM and EuRoPol GAZ s.a. relating to operator's duties applied to the Yamal-Europe Gas Pipeline**, the content of which was specified in the decision of the President of ERO dated 19 December 2019.
- ▶ The introduced solutions are also based on the experience gained during the application of the TGPS TNC in force so far, as well as suggestions provided by the transmission system users following the consultations of draft TNC that took place in March 2020.



TARIFF NO. 14 FOR GASEOUS FUELS TRANSMISSION SERVICES

Basic assumptions:

- ▶ Effective from 1 January to 31 December 2021
- ▶ "Postage stamp" Entry/Exit system - the simplest way for tariff calculation
- ▶ Capacity reservation fee charged independently at entry and exit points
- ▶ Fee rates for all entry points and all exit points are set at the same level (UGS discount 80%, LNG discount 100%)



	Tariff 2019	Tariff 2020 (NC TAR-compliant)	Tariff 2021 (NC TAR-compliant)
Division fixed/variable fee	100/0	100/0	100/0
Entry/Exit tariff base division	45/55	45/55	45/55
Short-term products	Coefficients at current level	Reduction of coefficients	Coefficients on comparable levels
Interruptible products	ex post, coefficient D	ex-post, compensation in accordance with the NC TAR	Ex-ante discount



Ex-ante discount

- IP points - **6%**
- Internal points - **2%**

NEW MECHANISM OF FINANCIAL COLLATERAL

- ▶ By the decision of 27 May 2020, the President of the Energy Regulatory Office **approved** the **updated "Mechanism ensuring cost neutrality of balancing measures of Gas Transmission Operator GAZ-SYSTEM S.A."** (hereinafter: Mechanism).
- ▶ The mechanism is effective as of 1 June 2020.
- ▶ As per the transitional provisions, **the requirements of the Mechanism on the additional threshold of the minimum level of financial security in the amount of PLN 150 thousand will become effective as of 1 October 2020.**
- ▶ The new content of the Mechanism introduces changes to the collateral requirements to further **enhance the protection of the interests of gas market participants and customers against entities that guarantee no adequate financial stability and reliability**, including the protection of market participants against incurring costs due to financial neutrality of balancing generated by entities that cannot guarantee adequate financial reliability.

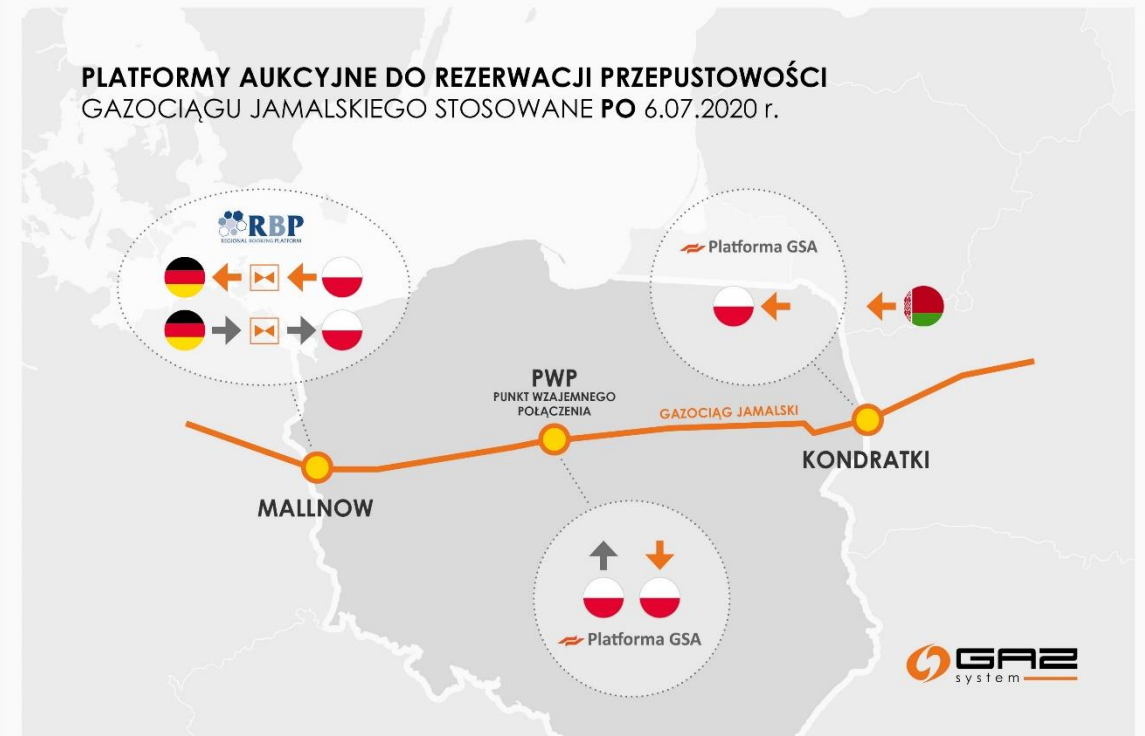
NEW MECHANISM OF FINANCIAL COLLATERAL

Major modifications in the Mechanism:

- ▶ Introduction of an additional threshold of the minimum security of PLN 150 000.00, applicable to Shippers with Capacity Allocation but whose current level of the required financial security remained at a lower level.
- ▶ Obligation to provide financial security at a higher than standard level by entities, which in the case of suspension will be interested in resumption of transmission services (PLN 400 000.00 or 200% of liabilities towards the Shipper and the TSO, or triple charge for the transmission services provided determined on the basis of the capacity allocation). Higher thresholds of financial collateral will apply to relevant entity only for a period of 3 consecutive months of the date of service resumption.
- ▶ Amendments to financial security provided in the form of a guarantee (only bank guarantee by a bank based in the EU or EFTA).
- ▶ Amendments to the exemption from the obligation to establish a financial security, financial security in the form of a bill of exchange, financial security in the form of a surety (available to entities based in the EU or EFTA).

EXPIRY OF HISTORICAL CONTRACT

- ▶ **17 May 2020** marked the expiry of the historical contract, concluded on 17 May 1995 between Gazprom Export and EuRoPol GAZ s.a., for gas transmission through the Polish section of the Yamal-Europe Gas Pipeline towards Western Europe.
- ▶ As of 17 May this year, the entire capacity of the Polish TGPS section is reserved in accordance with the EU regulations (CAM NC) through annual, quarterly, monthly, daily and within-day product auctions.
- ▶ According to ACER's decision 10/2019, as of **6 July 2020**, for the next three years, capacity auctions at Mallnow interconnection point are conducted via the RBP platform and at other TGPS interconnection points via the GSA platform, as before.



INCREMENTAL CAPACITY PROJECT ON THE BORDER BETWEEN POLAND AND GERMANY

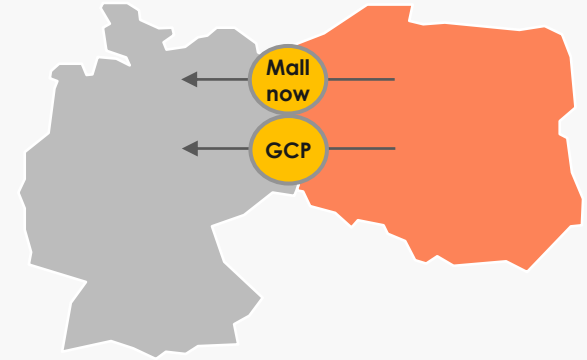
Between 10 August and 10 September 2020, as per the CAM NC incremental procedure

▶ **GAZ-SYSTEM and ONTRAS consulted a draft project of incremental capacity between Polish and German (Trading Hub Europe) gas transmission systems**

- ▶ The project is a response to a non-binding indication of demand for incremental capacity at the GCP GAZ-SYSTEM/ONTRAS in direction from Poland to Germany.

▶ **GASCADE and GAZ-SYSTEM consulted a draft project of incremental capacity between Polish TGPS and German (Trading Hub Europe) gas transmission systems**

- ▶ The project is a response to a non-binding demand indication received by GASCADE to increase the firm capacity available at the Mallnow entry point on the German side (change from the current Dynamically Allocable Capacity [DZK] to Freely Allocable Capacity [FZK]).
- ▶ As per CAM NC, the consultations on the draft project were held jointly so that the offer level including the incremental capacity to be created on the German side, could be offered as bundled capacity during the auction in July 2021.



- ▶ Both projects provide for the changes in the German transmission system resulting from the planned merger of NCG and Gaspool market areas into a single market area Trading Hub Europe (THE) as of 1.10.2021 and the resulting reduction in capacity at the entry points to THE common market area.
- ▶ TSOs are engaged in analysis of the results of consultations and plan to submit applications for coordinated decisions on incremental projects to the President of the Energy Regulatory Office and BNetzA in October

INCREMENTAL CAPACITY PROJECT POLAND - CZECH REPUBLIC

- ▶ The project involves creating new technical capacity at the existing interconnection point Cieszyn, flow direction from Poland to the Czech Republic
- ▶ **13 January - 13 February 2020** - consultation on the draft project proposal
- ▶ **30 October 2020** - GAZ-SYSTEM and N4G intend to submit project proposal to the President of the Energy Regulatory Office and ERU in order to obtain coordinated approval decisions
- ▶ **5 July 2021** - binding allocation of incremental capacity in an annual product auction/positive economic test result by both TSOs as a condition for project implementation
- ▶ Planned offer level - **1 143 000 kWh/h**
- ▶ Period for which incremental capacity will be offered - **2028/2029 – 2043/2043**
- ▶ Planned commissioning – **10/2028**
- ▶ F-factor - **1** (market-based project)

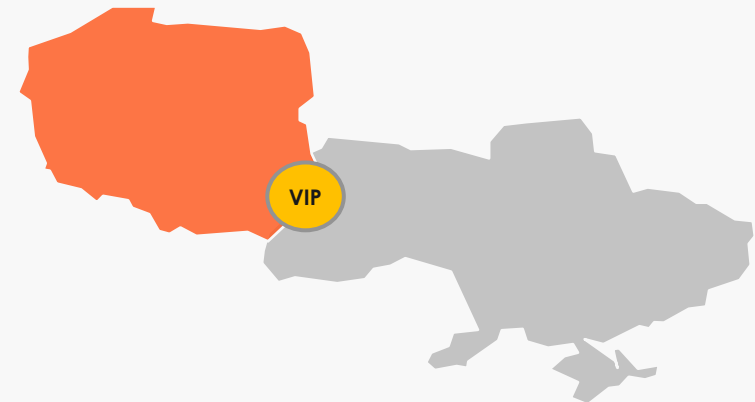
NON-BINDING DEMAND



Should the incremental capacity project be implemented, a bidirectional gas transmission at interconnection point Cieszyn will also be possible, in accordance with Regulation (EU) 2017/1938.

UPDATED LIST OF RELEVANT POINTS OF NTN AND TGPS

- ▶ By the decision of 17 September 2020, the **President of the Energy Regulatory Office approved the updated list of relevant points of NTN and TGPS**, which are subject to the requirement of publishing information in accordance with Article 18 of Regulation 715/2009
- ▶ As per Regulation 715/2009, TSOs are required to publish, in a transparent, standardised and regular manner, the information set out in the Annex to the Regulation, including the **technical, contracted and available capacities in relation to specific points, including entry and exit points identified in the Decision**, in relation to the services they provide.
- ▶ **The list of relevant points is supplemented by new points, including the virtual entry point "GCP GAZ-SYSTEM/UA TSO" and virtual exit point "GCP GAZ-SYSTEM/UA TSO"**, which as of 1 July 2020 replaced the existing points at the interconnection of the Polish and Ukrainian transmission systems - Hermanowice and Drozdowicze - with a single virtual point "GCP GAZ-SYSTEM/UA TSO" with a specific flow direction.



EDIG@S 6

- ▶ In July, EASEE-gas released a **new** version, **version 6 of the Edig@s standard** on electronic data exchange for the gas industry.
- ▶ In order to ensure a smooth transition to Edig@s 6, Edig@s 5 will remain active and supported by EASEE-gas until 2025.
- ▶ Edig@s 6 is available free of charge to all European gas market participants.



THANK YOU FOR YOUR ATTENTION.

