

GAZ-SYSTEM FORUM

2024

**Changes in legislation
for gas market
participants**



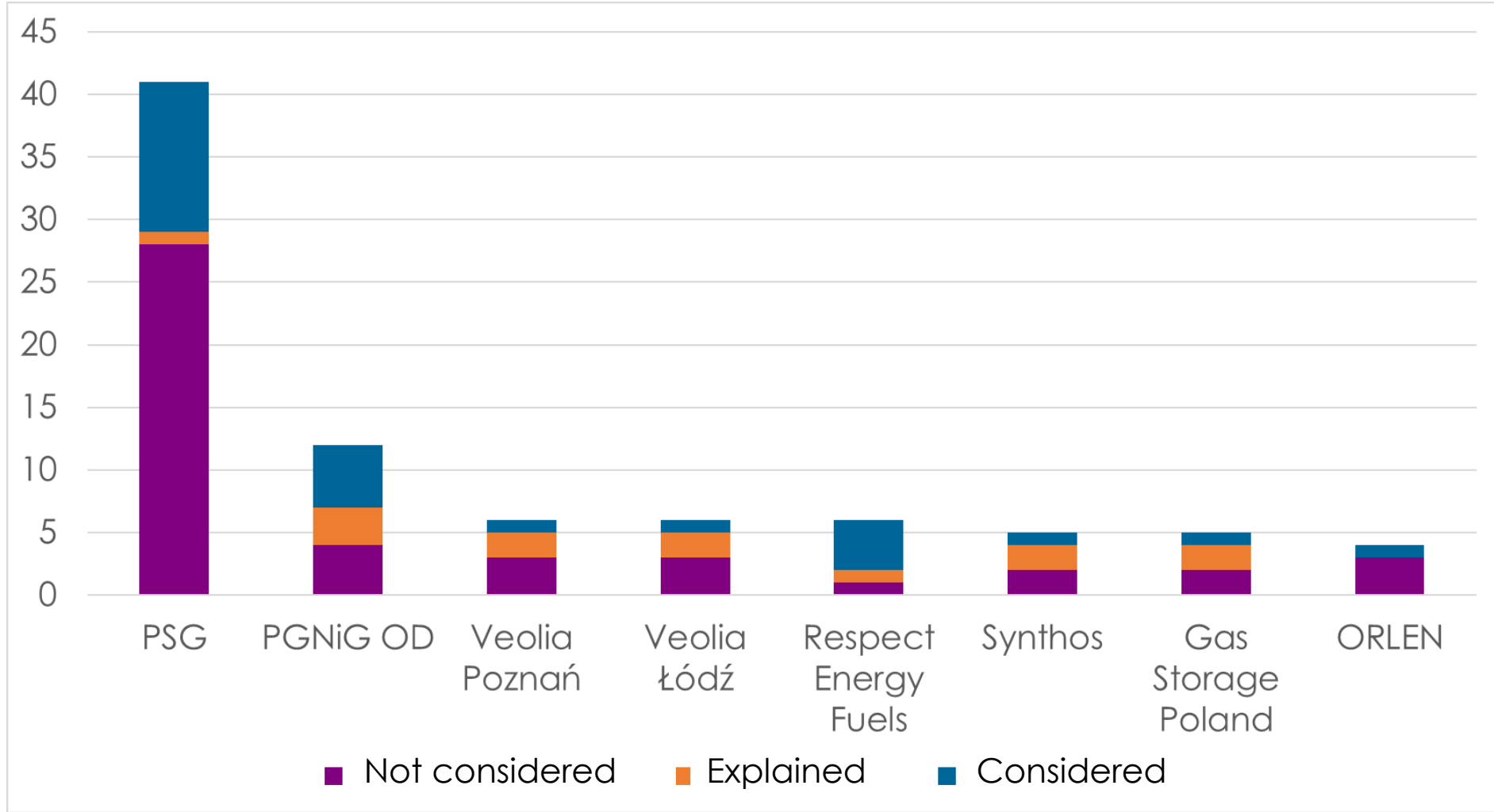
TNC



Grounds for amendments to the TNC

- ▶ Amendment to the Regulation of the Minister of Economy of 2 July 2010 on detailed conditions for the operation of the gas system (Journal of Laws of 2018, item 1158, as amended)
 - **New type of capacity - conditional capacity - firm and interruptible**
- ▶ Amendments to safety regulations:
 - Regulation of the Council of Ministers of 17 February 2021 on the manner and procedure for the implementation of gas curtailment measures (Journal of Laws of 2021, item 549)
 - Including the national **definition of a protected customer**,
 - **Regulation** of the Minister of Climate and Environment of 2 May 2023 on the method of **settlements and balancing** of the gas transmission system **in the period of natural gas compulsory stock mobilisation and in the period of implementation of gas curtailment measures** (Journal of Laws of 2023, item 961),
 - A higher-tier regulation than the former provisions of the TNC
- ▶ **New sources - biomethane plants**
- ▶ Operational experience

Consultations



Changes ensuing biomethane market development



Extension of the definition of source - introduction of biomethane installations.



Regulation of operators of installations connected at entry points.



Quality requirements unchanged.

Metrology and technical requirements

- ▶ **Standardisation of the basic frequency of value determination to once per hour:**
 - quantity and volume,
 - average pressure
 - average heat of combustion and Wobbe index,
 - dew point temperature.

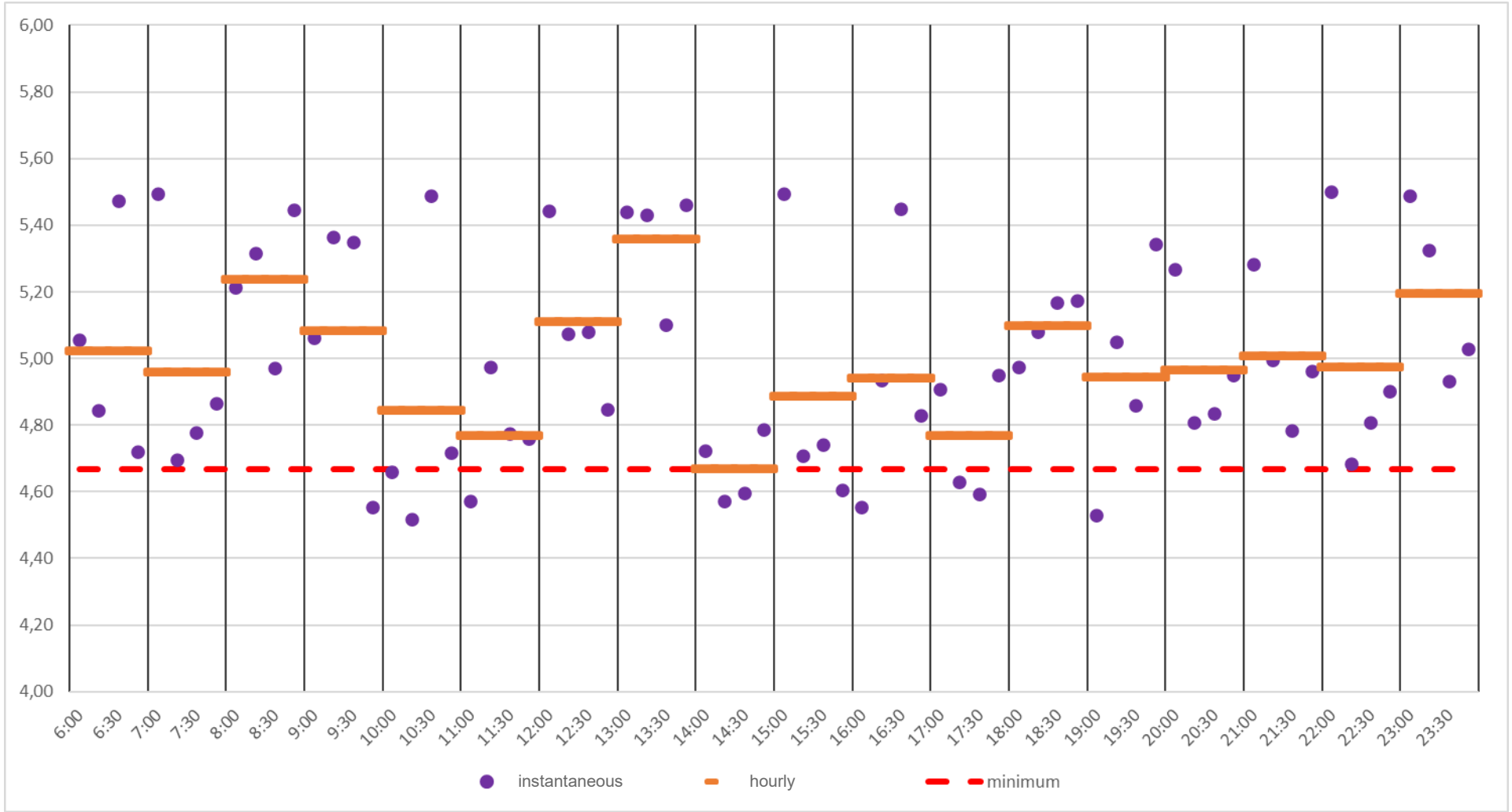
- ▶ This applies to **all stations at entry and exit points** regardless of ownership.

- ▶ Hourly value readings serve as a basis for determination of daily and monthly values.

- ▶ Average value - the average of the data recorded in a given hour.

- ▶ Minimum pressure value - the lowest value of the hourly average values.

Determination of average and minimum values



Gas meters and their calibration period



For billing purposes, the following gas meters are used:

- ▶ ~~Venturi gas meters,~~
- ▶ rotor,
- ▶ turbine,
- ▶ ultrasonic,
- ▶ *mass (Coriolis) (provided that calibration is performed using only natural gas at working pressure).*



- ▶ Calibration of gas meters every 5 years.
- ▶ Possibility of extending the period of gas meter checks based on comparison of the results of the main and reference gas meters operating in U-2 and U-3 series configuration.

Cooperation with DSO

- ▶ Agreements with RSO, ISO, DSO, operators of the systems connected at the entry point:
 - introduction of **mandatory arrangement of the rules for the measurement** of quantity and quality parameters and **metrological supervision** of equipment,
 - deletion of the requirement for agreement of procedures for Shipper pairs.

- ▶ TSO's responsibility for the physical balancing of the DSO network limited only to areas fed exclusively from the $MFPWY_{OSD}$ excluding those parts of the distribution network whose balancing is not possible due to the hydraulic limitations of these systems.

- ▶ Changes to the rules on interconnection groups of physical exit points:
 - **Requirement for hydraulic connection on the fed system side** with a requirement for partial or complete single point substitution, **confirmed by an annual declaration**.
 - **If the PTPS is exceeded** at a point included in the group, **joint analysis of the causes** - expansion of the DSO network or connection request for facility expansion.

Connections to the network

▶ Streamlining the connection process

- in the event that several different connection conditions were issued **for the same location and one entity** - a **draft of a single agreement for the specific connection conditions** will be issued.
- Possibility of building **gas connection pipelines is cancelled:**
- **Connection conditions** issued **for new gas facilities** constituting exit or entry points **will assume the construction of the facility beside the existing gas pipeline.**

Pre-connection agreements

- ▶ A pre-connection agreement is concluded when:
 - all applicable formal and economic requirements are satisfied,
 - **the connection to the transmission network is technically not feasible due to incompleteness of the necessary developments on the part of GAZ-SYSTEM.**
- ▶ **It enables the commencement of design engineering work.**
- ▶ It serves as an interim measure to reserve the capacity until the conclusion of the Connection Agreement.
- ▶ Pre-connection agreement expires upon signing of a Connection Agreement for a given point or termination for other reasons specified in the pre-connection agreement.

When all the prerequisites for the determination of the connection conditions are fulfilled on the part of the TSO, the applicant shall reapply for the determination of the connection conditions and after that a Connection Agreement is concluded.

System optimisation

▶ Optimisation Agreements

- **Concluded for the purpose of optimising the transmission system** or the **connected network and rationalising expenditures and costs** incurred on the existing and future gas infrastructure.
- Defining the scope of construction or modernisation works at custody transfer metering and fiscal metering facilities at the system boundary, settlement deadlines and rules.

▶ Modernisation of the facilities nearing the end of their technical service life

- The TSO determines the new technological and metering parameters on the basis of the contractual capacity and capacity allocation forecast and transfers them to the parties concerned for consultation
- In case there is no justification for maintaining the existing PTPS, the TSO shall communicate the date of its reduction.

Portfolio of capacity booking agreements

- ▶ Transmission Agreement
 - **Last applicable capacity allocation (PP) for annual products - domestic**
 - approved capacity allocation forecast (PPP)
- ▶ Connection Agreement to the transmission network, taking into account the date of conclusion of the agreement for the supply of gaseous fuels,
- ▶ Agreements with ISO concerning the capacity made available as a related product jointly with the ISO
- ▶ **Pre-connection agreements**
- ▶ **Modernisation and Optimisation Arrangements**

Capacities



Interruptible conditionally firm capacity - discontinued



Entry Point from the LNG Terminal
Capacity allocation according to the applicable regasification capacity allocation

Nominations

- ▶ The concept of current maximum capacity at a given point (Q_{max}) is formalised inasmuch as:
 - maximum hourly quantity up to which the nominations submitted for all types of capacity are accepted,
 - value is published on the website.
- ▶ Provisions for reduction of Nominations due to failure to meet the minimum pressure at the entry point have been complemented.
- ▶ Nominations are submitted after verification (possible reduction) in consideration of GAZ-SYSTEM's regulations, to be agreed with the interoperating system operator.
- ▶ 5% renomination limit on connections from outside the EU - cancelled.

Security of Supply

- ▶ Definition of a Protected Customer - defined in Regulation of the Council of Ministers of 17 February 2021 on the manner and procedure for the implementation of natural gas off-take curtailment measures.
- ▶ In the absence of a declaration of the minimum quantity of natural gas whose off-take does not cause a threat to the safety of persons and damage, or destruction of technical facilities received by 31.Jul., the minimum recorded hourly and daily consumption of natural gas is assumed, excluding days for which the daily off-take was equal to 0 kWh.
- ▶ The settlement rules in the period of curtailment of natural gas off-take and rules of compulsory stock mobilisation were deleted from TNC.

Other amendments to the TNC

- ▶ Change of deadline for notification of:
 - **PP** from 20 Sep. to '**no later than eighteen (18) days prior to the expected date of commencement of use of capacity** (contracted capacity)',
 - **PPP** from 20 Sep. to **25 Sep.**

- ▶ Notification of the planned maintenance works if:
 - they **result in limitation** of services to System Users - always **at least 42 days prior** to the planned works,
 - they do **not result in limitation** of services - **no prior notification is required.**

- ▶ Reduction service - **when the termination request involves changes to equipment at the facility** - connection request is required with PP guaranteed to date at annual level. **The scope of work and schedule are be specified in the respective connection agreement.**

Material Contract Provisions

- ▶ General provisions
- ▶ Fundamental obligations of the Parties
- ▶ Quantity of transmitted gaseous fuels broken down by contractual periods and place of gaseous fuel supply and off-take
- ▶ Quality standards, technical parameters, conditions for ensuring reliability and continuity of gaseous fuels supply
- ▶ Charges, fee rates, and tariff groups used in settlements, as well as conditions for amending such rates and tariff groups and the manner of performing settlements
- ▶ Rules for the exchange of information between System Users and TSO
- ▶ Rules for suspension and reinstatement of gaseous fuel supply
- ▶ The principles of securing the TSO's financial claims
- ▶ Duration of the Transmission Contract
- ▶ Expiry or suspension of the Transmission Contract (termination, notice, withdrawal).



Tariff - new in 2025



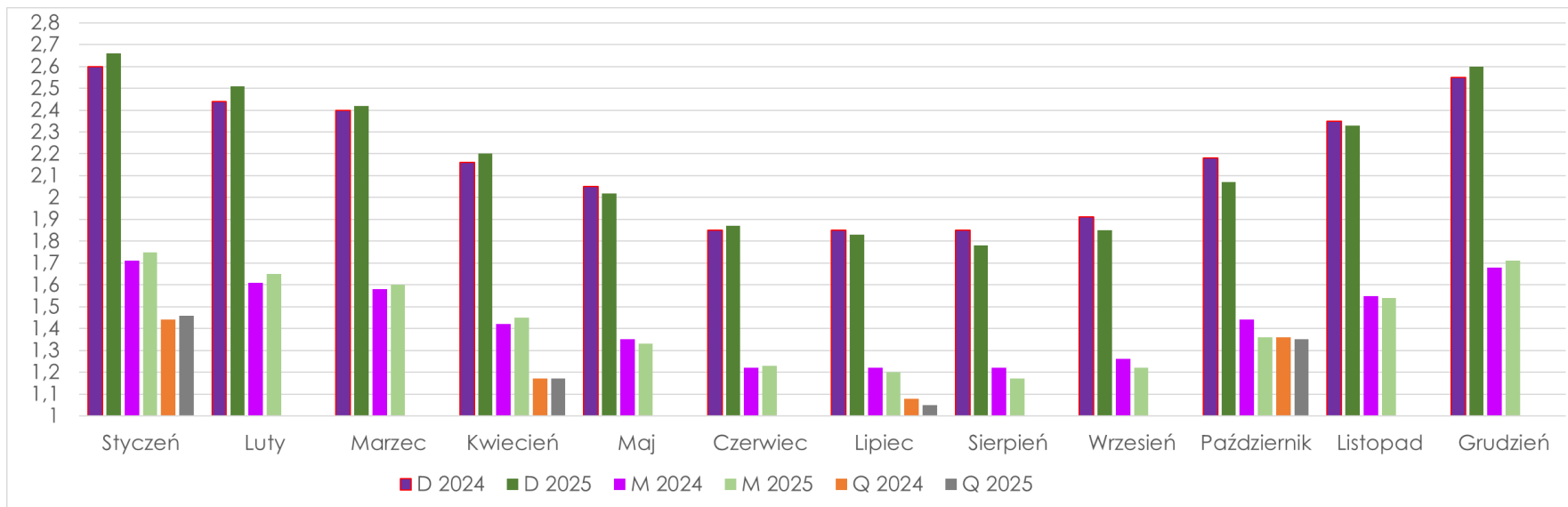
Changes to the billing principles

- ▶ Clarification of provisions:
 - The basis for tariff rate calculation (Base rate) - annual product on a rolling basis.
- ▶ Increase in PP overrun charge rates:
 - No PTPS overrun - up to six times the fixed charge x PP overrun value x hours per month.
 - With PTPS overrun - up to ten times the fixed charge.
- ▶ For a group of points, total flows vs. total PP as long as PTPS is not exceeded. If PTPS is overrun, the charge for the point in question as if it were not in the group of points.
- ▶ Settlement of variable charges for the compression service according to the GRP rate appropriate for the type of gaseous fuel E or Lw.
- ▶ No coefficients for short-term products are applied to the reduction charge.

New charge rates and coefficients

Physical entry points/ Physical exit points	Charge rates
	Charge rate [0,01 PLN/(kWh/h) per h]
For Users of high-methane gas E network	
E_{WE}	0.7896
E_{WY}	0.3317
For Users of the L-type nitrated gas network (Lw subgroup)	
L_{WE}	0.2769
L_{WY}	0.1765

For Users of high-methane gas E network	
Fixed fee rate for providing S_{SR} reduction service [0,01 PLN/(kWh/h) per h].	0.0255
For Users of the L-type nitrated gas network (Lw subgroup)	
Fixed fee rate for providing S_{SR} reduction service [0,01 PLN/(kWh/h) per h].	0.0172



Neutrality mechanism



Changes to financial collateral

- ▶ Restrictions on selected forms of collateral
 - The sum of sureties of the parent company in the group may not exceed 10% of the guaranteeing company's share capital.
 - Sum of promissory notes lodged up to 10% of the company's share capital.

- ▶ Collateral update
 - collateral update is mandatory within 14 working days when the issuing bank ceases to meet the criteria for acceptability as a guarantee issuer.
 - collateral update is mandatory within 14 working days when the parent company exceeds the maximum acceptable amount.

- ▶ When calculating liabilities due to CSRB variation to either marginal purchase price KCK or marginal sales price KCS as appropriate for a given day.

Changes to financial collateral

- ▶ Downward rating change
 - Information within 24 hours
 - Provision of collateral within 5 business days

- ▶ Overcollateralisation results in a call and immediate termination of PZ on OTC

- ▶ Overcollateralisation by more than 50% - immediate termination of PZ OTC
 - The sum of collateral of the parent company in the capital group may not exceed 10% of share capital

- ▶ The above changes enter into force as of 1 January 2025
 - Approval of the new, revised Mechanism
 - GT&C Update

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Thank you!