

# UPDATE OF THE TNC

February 2019



# Transmission Network Code – History of changes

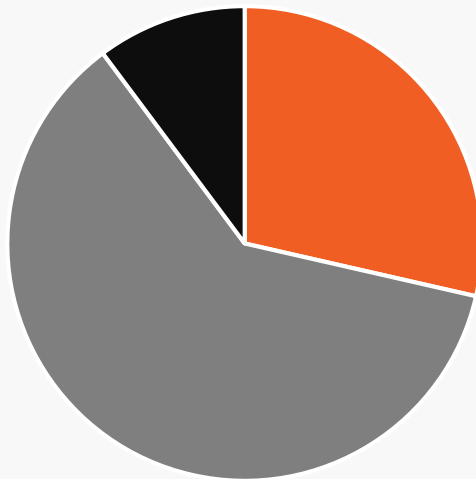
- ▶ 2006 August – the first version of TNC
- ▶ .....
- ▶ 2013 January – the fourth version of TNC
- ▶ 2016 March – the fifth version of TNC
- ▶ **2018 December – current version of TNC**
- ▶ 2019 January – draft/consultation of the next version of TNC
- ▶ *2019 March – new version of TNC*

# REASONS FOR CHANGES

- ▶ **Expiry of the transition measures for the Network Code on Gas Balancing of Transmission Networks**
- ▶ **Implementation of amendments to the Energy Law regarding the Reserve Sale**
- ▶ Request of the Ministry of Energy for the implementation of a mechanism to monitor the ownership of gaseous fuel introduced to the National Transmission Network at the state borders
- ▶ Changes resulting from the current implementation of the provisions of the previously/currently applicable version
- ▶ Implementation of the Regulation on settlement of mandatory stock

# CONSULTATIONS ON DRAFT CHANGES

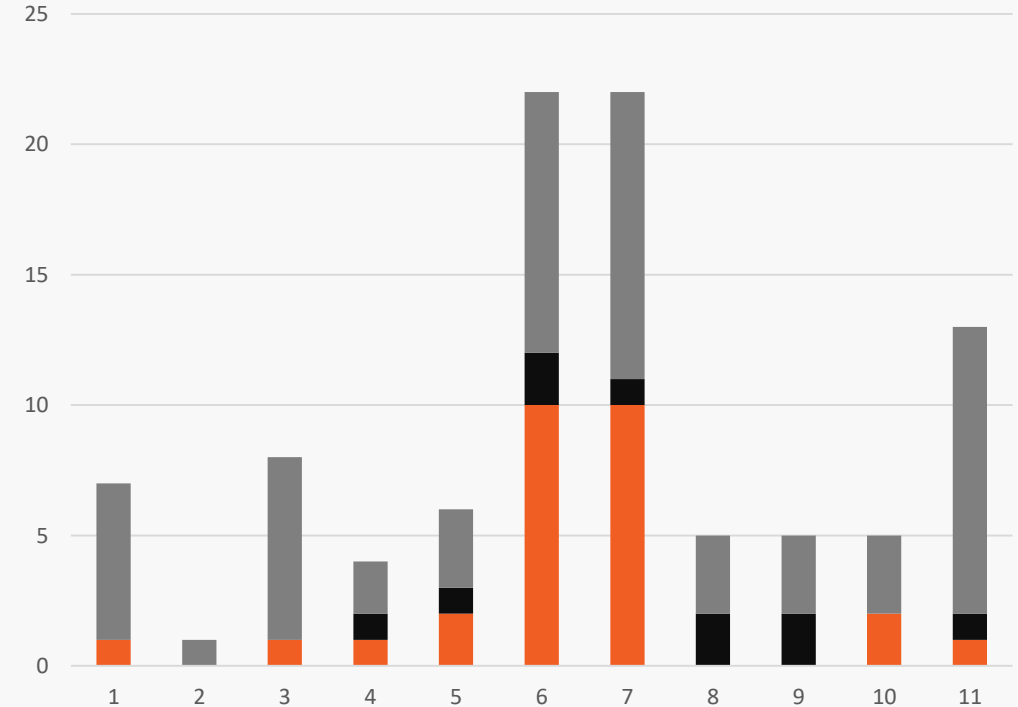
- ▶ The consultations took place from January 11 to 25, 2019
- ▶ We received 98 comments, including 88 detailed comments from 11 entities
- ▶ We made about 28 changes in the draft
- ▶ On February 13 this year, we submitted the draft with comments to the President of the Energy Regulatory Office
- ▶ The submitted draft with comments was published



considered

not considered

explanation



# SCOPE OF CHANGES 1/2

## 1. Changes resulting from the EC Regulation on balancing (NC BAL)

- ▶ Implementation of balancing rules for a L-gas system ( $KSP_{LW}$ ) fully compliant with NC BAL
- ▶ Cancellation of the Balancing Services Market – interim measure
- ▶ Complete deletion of provisions on imbalance tolerances/limits

## 2. Implementation of amendments to the Energy Law regarding the Reserve Sale

- ▶ Introduction of detailed implementing regulations in the Reserve Supplier launching process
- ▶ Implementation of the second condition to suspend physical flow to the Final Customer – in the case of the expiry of the Reserve Supplier Agreement

# SCOPE OF CHANGES 2/2

## 3. Provisions on the declaration of ownership of gas entering the territory of the Republic of Poland

- ▶ Implementation of an obligation for shippers to submit monthly information about the quantities and it's owners of gaseous fuel delivered to entry points at the borders

## 4. Editorial changes resulting from previous experience and discussions with URE

- ▶ Implementation of an obligation to stop off-take by a customer for whom the conditions for suspending supplies by the TSO are met – supplement to the regulation related to the suspension of supplies by the TSO
- ▶ Failure to submit provisional allocations means provisional allocated quantity equals to 0
- ▶ The update of station's process and measurement parameters may not be the only basis for changing the capacity allocation (PP) during the year (update of yearly capacity product)
- ▶ Clarification of the provisions on the balancing area and allocations made by the DSO (requirement to include the quantities measured for WR unchanged) – at the request of the Energy Regulatory Office in order to allow DSOs to cancel balancing in the area of DSOs regulated in the DNC

## 5. Implementation of the Regulation on settlement of mandatory stock

- ▶ Settlement rules for used stock

# L-GAS BALANCING AREA

## Conditions:

- ▶ Necessity to use market mechanisms – the legal regulations requirement
- ▶ Instruments for the Day-Ahead Market and Intraday Market on the Polish Power Exchange (TGE)

## Suggested solutions:

- Implementation of imbalance settlements in accordance with NC BAL requirements
  - ▶ Average Balancing Settlement Price for Lw ( $CSRB_{Lw}$ ) according to the GLW\_ID index on TGE
  - ▶ Marginal Buy Price and Marginal Sale Price (KCK and KCS) base rate +/- 20% of the  $CSRB_{Lw}$

# FALL-BACK SUPPLY

## Conditions:

- ▶ A need to implement customer protection in the event of inability of to providing supplies by existing supplier
- ▶ Amendment to the Energy Law introducing the Fall-back Supply mechanism
- ▶ Delegation to the TNC for the details of launching the Fall-back Supply procedure

## Regulations in the TNC:

1. Implementation of a catalog of conditions for launching the Fall-back Supply
2. Requirements for entities registering on the list of Fall-back Supplier
3. The manner of concluding the Agreement on Fall-back Supply by the TSO on behalf of the Customer
4. The procedure for transferring the PP to the Fall-back Supplier
5. In case of inability to provide supplies by the Fall-back Supplier



# CONDITIONS FOR LAUNCHING THE RESERVE SALE BY THE TSO

receipt of information by the TSO from the Shipper on the need to stop gas supplies for reasons attributable to the Shipper

receipt of information by the TSO about an event resulting in the need to stop providing services to the Shipper

receipt of information by the TSO about expiration of the agreement between the final customer and the Shipper (as the sole basis for gas supply)

termination of the transmission agreement with the Shipper

suspension of the provision of transmission services by the TSO due to a lack of guarantee of the Shipper's financial reliability + not supplemented financial security by the Shipper

*The reserve sale will not be launched, if the change of supplier procedure is being implemented, which completion will take place before the date of suspension the delivery of gaseous fuel.*

# FINANCIAL SECURITY

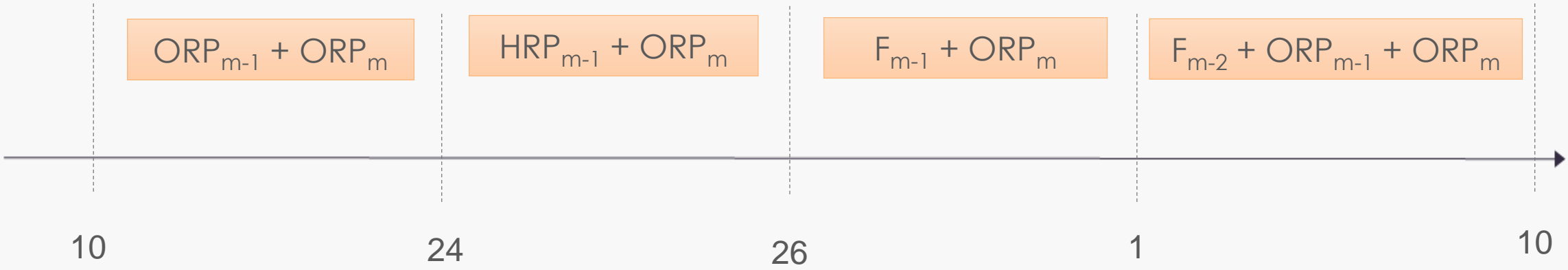
- ▶ Regulated by:

- ▶ *"Mechanism for ensuring the neutrality of balancing activities of the Gas Transmission Operator GAZ-SYSTEM Spółka Akcyjna with its registered office in Warsaw in accordance with the Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks"* approved by the decision of the President of the Office Energy Regulation of December 15, 2018
- ▶ General Terms and Conditions of the transmission contracts

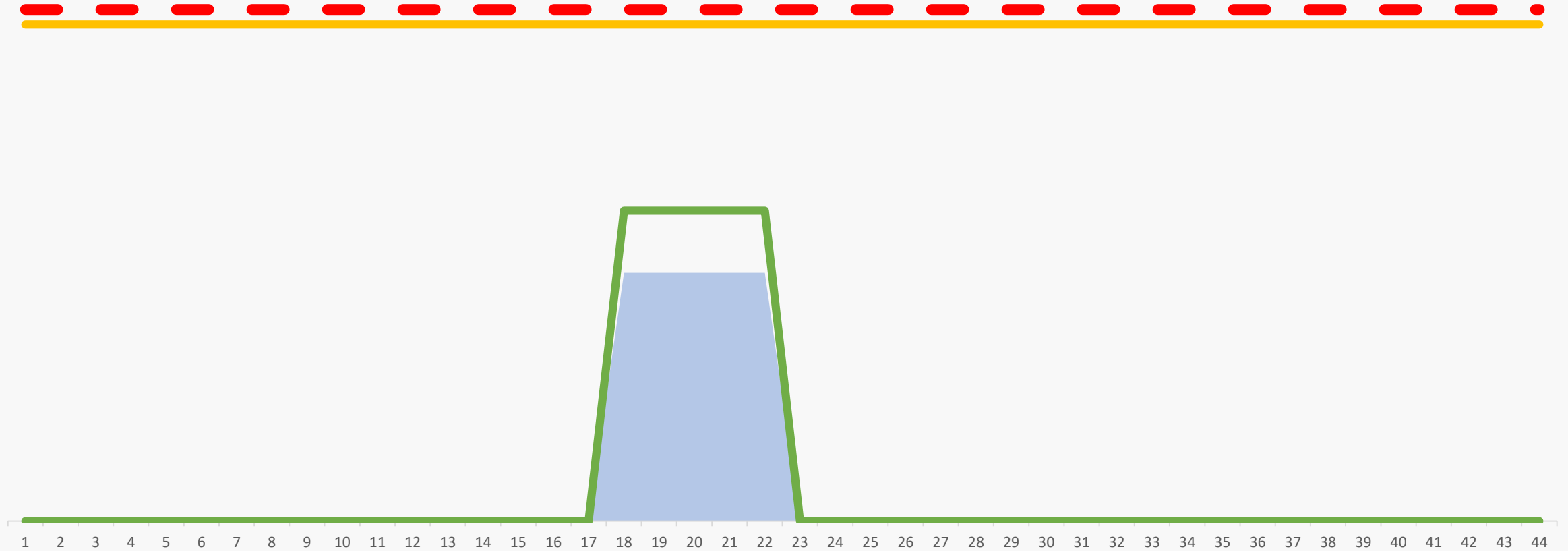
# FINANCIAL SECURITY

- ▶ The required financial security is the greater of the two:
  - ▶ Two times the monthly amount of allocated capacity (PP) fee
  - ▶ 125% of the value of invoices issued by the TSO and potential amount of the daily imbalance charge calculated on the basis:
    - ▶ Net value according to ORP (provisional transmission report) for the previous month ( $ORP_{m-1}$ )
    - ▶ Net value according to ORP from the beginning of the month to the day before the verification ( $ORP_m$ )
    - ▶ Net value according to HRP (provisional transmission report) ( $HRP_{m-1}$ )
    - ▶ Issued and unpaid invoice for imbalance ( $F_{m-1, m-2}$ )
- ▶ Verification of the appropriate level of financial security on business days at 1:00 P.M.

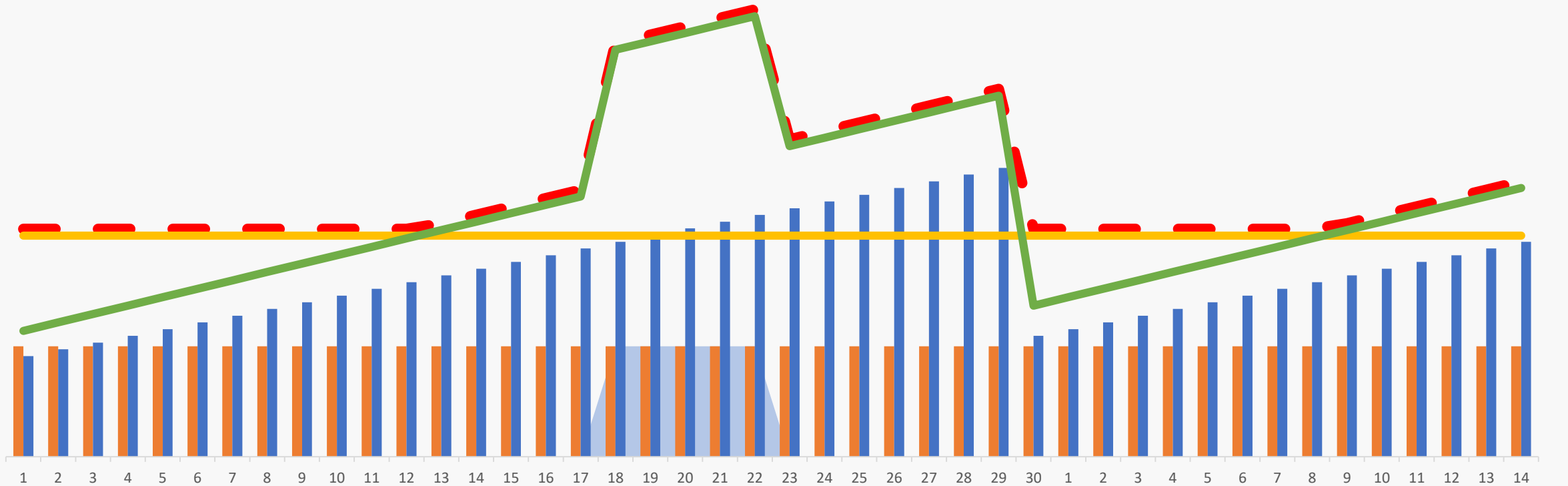
# ESTIMATING THE AMOUNT OF FINANCIAL SECURITY RESULTING FROM BALANCING



# EXAMPLE OF REQUIRED COLLATERAL VALUES 1/2

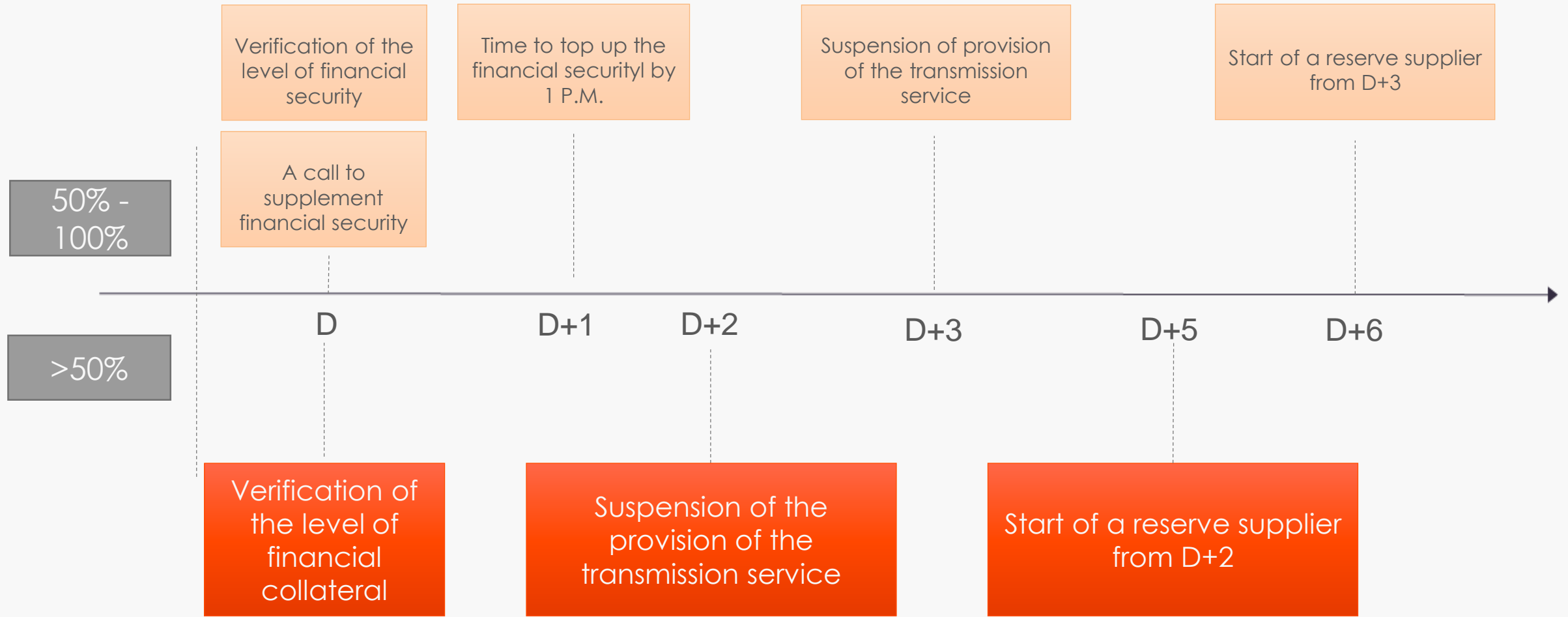


# EXAMPLE OF REQUIRED FINANCIAL SECURITY VALUES 2/2



■ Pro forma invoice for PP   
 ■ Basis for financial security for PP   
 ■ PZ basis for financial security DIN\*csrb   
 - - - Required financial security   
 — Financial security PP x 2   
 — Financial security 125%

# THE FINANCIAL SECURITY IMPACT ON THE PROVISION OF TRANSMISSION SERVICE

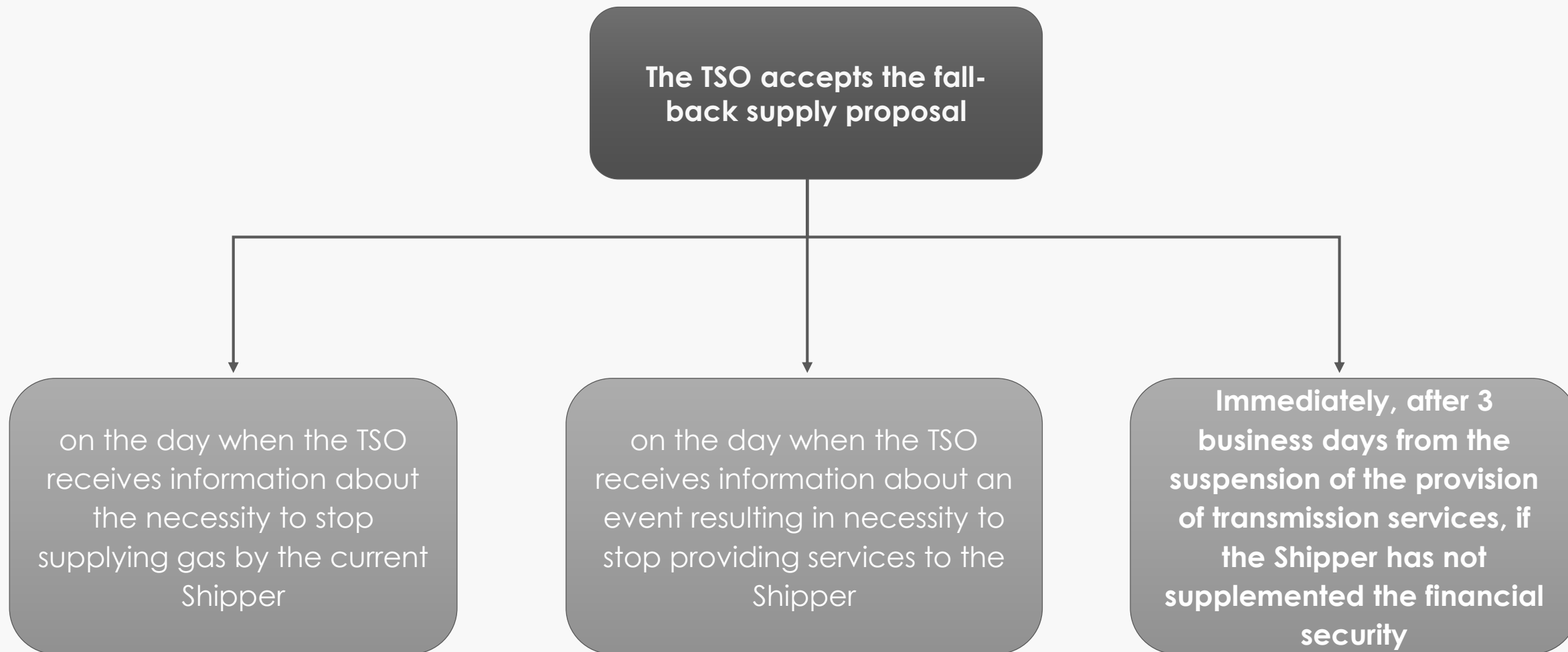


# LAUNCHING FALL-BACK SUPPLY PROCEDURE





# ACCEPTANCE OF THE PROPOSAL BY THE TSO



# FALL-BACK SUPPLY LAUNCHING DATE

Information from the Shipper



On the day the proposal is accepted by the TSO, unless a later date results from the information from the Shipper – in such a case, on the day indicated by the Shipper

No transmission service



On the day the proposal is accepted by the TSO, unless a later date is indicated by the TSO, with the exception of fall-back supplies launched due to lack of financial security

Termination of the comprehensive agreement



On the day the proposal is accepted by the TSO, unless the TSO indicates a later date

# POTENTIAL RESERVE SUPPLIER

## The TSO maintains a list of Shippers offering fall-back supply

The list maintained by the TSO includes:

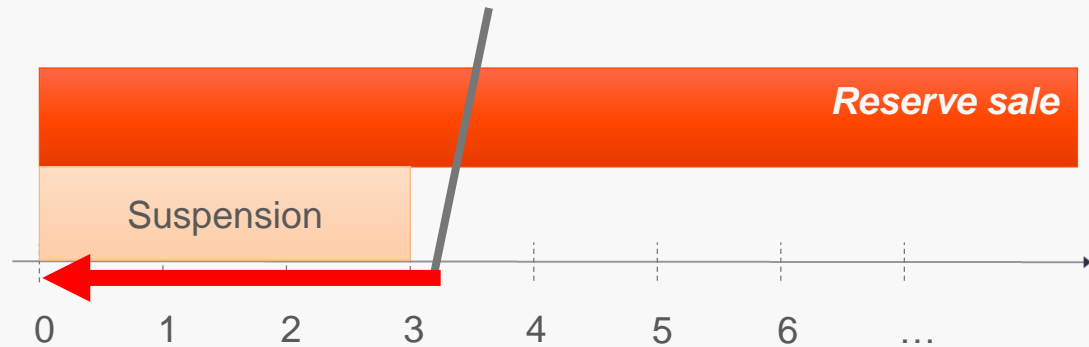
1. Supplier of last resort and
2. a Shipper who meets the criteria for being entered into the list, i.e.:
  - ▶ to have a valid license for trading in gaseous fuel
  - ▶ to use the capacity in FPWE (physical entry points) or FPWY (physical exit points) in the last year
  - ▶ No arrears towards the TSO
  - ▶ Timely payments to the TSO in the last year

**The TSO concludes an Agreement on fall-back supply only with the Shippers entered on the list. If the fall-back supplier indicated by the customer is not on the list, the TSO enters into a contract with the supplier of last resort**

# LAUNCHING FALL-BACK SUPPLY AS A RESULT OF NO FINANCIAL SECURITY

## *Failure to supplement the financial security during the suspension period*

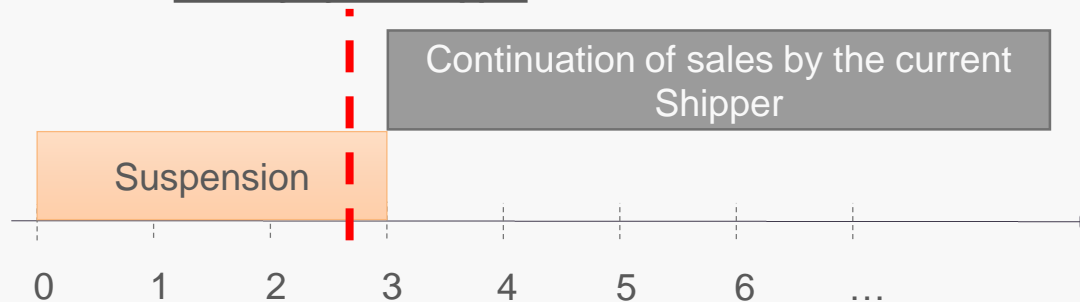
Submission of a declaration on the acceptance of a fall-back supply proposal by the TSO



Fall-back supply is implemented from the beginning of the gas day on which the suspension took place.

## *Supplementing the financial security during the suspension period*

Supplementing the financial security by the Shipper



If the financial security is supplemented within 3 days of the suspension of the provision of transmission services, gas sales will be continued by the current Shipper after the resumption of the transmission service.

# MONITORING OF OWNERSHIP OF THE GAS SUPPLIED TO THE TERRITORY OF THE REPUBLIC OF POLAND

## Conditions:

- ▶ A request by the Ministry of Energy to include monitoring of gas ownership at entry points on the Polish border in the TNC procedures

## Suggested solutions:

- ▶ Submission of monthly information by the Shipper to the TSO about the quantities and owners of gaseous fuel delivered to entry points at the borders
- ▶ Statements submitted within 7 days after making available the Commercial Transmission Report (HRP)

# MISCELLANEOUS CHANGES

## Changes resulting from past experience:

1. Implementation of an obligation to stop off-take by a customer for whom the conditions for suspending supplies by the TSO are met – supplement to the regulation related to the suspension of supplies by the TSO
2. Clarification of the provisions on the balancing area and allocations made by the DSO (requirement to include the quantities measured for WR unchanged)
3. Failure to submit provisional allocations means provisional implementations equal to 0 – enabling timely access to Provisional Transmission Reports by GAZ-SYSTEM
4. The conversion of station's process and measurement parameters may not be the only basis for changing the capacity allocation (PP) during the year
5. Editorial corrections of contents concerning operating activities (works in the system)

# SETTLEMENT OF THE USED MANDATORY STOCK

## 1. A mechanism closely related to the relevant Implementing Regulation

- ▶ Mechanism consulted during previous TNC consultations
- ▶ Approval requires the publication of the Regulation

## 2. Settlement of used stock

- ▶ Suspended spread prices of imbalance
- ▶ Quantities of the introduced stock purchased by the TSO at the CSRB price
- ▶ Quantities received by Customers/Shippers settled as part of the CSRB imbalance
- ▶ The cost is included in the neutrality of balancing

# CHANGES IN THE TNC TRANSIT GAS PIPELINE SYSTEM

## Solutions:

- ▶ Implementation of imbalance settlement rules in accordance with the target NC BAL mechanisms
  - ▶ Cancellation of the Balancing Services Market
  - ▶ Settlement of imbalance based on the stock exchange index
- ▶ Introducing an opportunity for conversion of bundled capacity into an unbundled one
- ▶ Incremental capacity mechanism
- ▶ Mandatory stock stored outside the territory of the Republic of Poland
  - ▶ The mechanism for transfer to the National Transmission Network area
  - ▶ Monitoring of the reserved capacity to supply the reserve
- ▶ Monitoring of gas ownership at entry points to the territory of the Republic of Poland

## Schedule:

- ▶ From February 18, 2019 to March 8, 2019 – Consultations with market participants
- ▶ By March 15, 2019 – Application for approval to the President of URE
- ▶ *By March 30, 2019 – Approval by the President of URE*
- ▶ *From April 1, 2019 – New regulations in force*



**THANK YOU FOR YOUR ATTENTION**

