

Joint statement on the result of the public consultation

on the Business Rules and Communication Procedures in case of Exceptional Events to the Draft Interconnection Agreement for IP Medieșu Aurit / Tekovo, held between 01.07.-01.09.2017

SNTGN Transgaz SA and PJSC Ukrtransgaz intend to conclude an Interconnection Agreement for IP Medieșu Aurit / Tekovo. According to Art. 4.2 of Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules, both TSOs invited the network users to comment on the proposed text of the business rules and communication procedures in exceptional events to the Draft Interconnection Agreement for IP Medieșu Aurit / Tekovo, between 1 July 2017 - 1 September 2017.

The Parties would like to clarify the following conditions of current operation of the IP Medieșu Aurit / Tekovo:

- GMS Medieșu Aurit is operating as an import point for supply of natural gas from the Russian Federation, playing an important part in ensuring the security of supply for Romania, based on the *Technical Agreement regarding the operation of the GMS Medieșu Aurit for the delivery – receiving of natural gas from the Russian Federation to Romania through Satu Mare*, with unlimited validity, concluded between SNTGN Transgaz SA and Gazprom Export, with the commercial metering of gas at GMS Medieșu Aurit.
- on the territory of Ukraine gas transmission is performed based on a legacy transmission contract between NJSC Naftogaz and Gazprom, with the commercial metering of gas at GMS Tekovo, valid until the end of 2019.

Therefore, currently the transmission of natural gas via IP Medieșu Aurit / Tekovo is made under the agreements between the owner of natural gas and the TSO for both gas metering stations. There are no valid direct interconnection agreements between the TSOs of Ukraine and Romania for IP Medieșu Aurit / Tekovo, prescribed by national legislation of Ukraine and Romania, as well as the Regulations of Third Energy Package. The TSOs use their best endeavours in order to solve existing situation, inter alia, the contract for natural gas transit via Ukraine is currently under arbitration procedure in Stockholm Arbitration.

Therefore, the Interconnection Agreement envisages entry into force conditional either by the expiration of the historical contract mentioned above, or by the decision of the Stockholm arbitration court regarding the cancellation or amending of the conditions of the same contract, which will enable SNTGN Transgaz SA and PJSC Ukrtransgaz, as neighbouring TSOs, to meet all obligations established under the Interconnection Agreement. Until the occurrence of one of the conditions mentioned above, Transgaz and Ukrtransgaz will use all endeavours to agree all the provisions of the Interconnection Agreement.

SNTGN Transgaz SA and PJSC Ukrtransgaz received observations and comments from a number of market participants. Following analysis of the comments received from the network users, SNTGN Transgaz SA and PJSC Ukrtransgaz would like to provide below the results of the public consultation based on the main topics of interest of potential network users:

- 1) Restricting the re-nomination within the matching procedure (paragraphs h) and i)): the restrictions related to the re-nominations of the network users will be eliminated from the draft Interconnection Agreement.
- 2) Physical transmission in the RO-UA direction: at the moment, because of the current operating pressures of the transmission systems the physical gas transmission through the IP Medieșu Aurit / Tekovo in the Romania-Ukraine direction cannot be ensured. Currently virtual transmission of natural gas through IP Medieșu Aurit / Tekovo in the RO-UA direction can be ensured. Considering the network user's interest in the physical flows in the RO-UA direction, SNTGN Transgaz SA will initiate in the forthcoming period a market survey in order to quantify the level of the capacity request and depending on the outcome it will analyse the necessary investments to remove the current technical limitations. When such limitations are removed the transmission system operators will amend the Interconnection Agreement accordingly.

- 3) OBA account limits: the limit of the OBA account cannot be specified as it has to be further on evaluated by the neighbouring TSOs after operation of the IA in test mode.
- 4) The rules and conditions underlying the application of a pro-rata allocation regime instead of OBA: in line with article 9 para (4) of the INT-NC *‘The adjacent transmission system operators may agree to maintain or implement an allocation rule other than the operational balancing account, provided that this rule is published and network users are invited to comment on the proposed allocation rule within at least two months after publication of the allocation rule’*. Therefore, the OBA allocation regime will be applied as a primary application rule while the pro-rata principle is applied only in certain conditions. As for the description of the events and of the valid circumstances for passing from the OBA allocation regime to the pro-rata allocation principle, they are included in the Allocation section (gas quality and pressure parameters non-compliant with the specifications of the Interconnection Agreement, exceeding the OBA limit). Detailed information on such parameters will be published on the website of the TSO before the application of the provisions of the Interconnection Agreement. The shift to the OBA allocation regime is performed *‘in the following Gas day D+1 after the Gas day D in which the above mentioned conditions are no longer applicable, except for the situation in which both Parties mutually agreed to postpone the OBA application for a certain period’*.
- 5) The request to add a section about rules and schedule of maintenance: the adjacent transmission system operators will publish on their own webpages the planned maintenance works for the following calendar year. The maintenance works will be executed in a timely manner and with a minimum impact on the technical capacity, by notifying the network users accordingly in this respect.
- 6) The request related to the transmittal by the network user of the nomination in KWh/day and in m³ at 20°C in case information regarding the GCV value is missing (the volume unit is not used for commercial purposes): the network user will own the information on the forecasted GCV necessary for sending the nomination for the following day in energy units, such information will be published on the website of the adjacent TSOs before the effective date of the Interconnection Agreement. Currently, the expression in volume units at 20°C is used for the completion of the customs formalities in Ukraine and Romania.
- 7) The types of capacities offered and the applicable energy unit: as mentioned in the Public Consultation Announcement the draft of the Interconnection Agreement in question envisages the physical gas flow in the Ukraine – Romania direction and the virtual gas flow in the Romania –Ukraine direction. Therefore, the capacity products offered on the territory of Romania will be both firm, in the Ukraine-Romania direction, and interruptible, in the Romania-Ukraine direction. In line with the provisions of art 10 of Regulation (EU) no 459/2017 (CAM-NC) on the applied capacity unit, the TSO has the obligation to offer capacity in the interconnection points in energy units, either in kWh/day or in kWh/h. The energy unit for capacity trading in the IP Medieșu – Aurit / Tekovo will be agreed with the adjacent TSO within the Joint Methodology for the calculation of the technical capacity related to the IP Medieșu – Aurit / Tekovo (according to art 6 of CAM-NC).
- 8) Definition of the hydrocarbon dew point and the applicable quality conditions; the point where the quality conditions are declared in the situation of the virtual gas flow: the gas quality specifications related to the gas physically transmitted through the IP Medieșu – Aurit / Tekovo in the Ukraine-Romania direction, including the ones related to the hydrocarbon dew point are subject to the cooperation between the two adjacent TSOs in order to avoid the restrictions to cross border trade due to differences in gas quality, taking into account the national regulations. In the case of virtual gas transmission in the Romania-Ukraine direction the point where such quality conditions are declared is the IP Medieșu – Aurit / Tekovo.
- 9) Planning the project for ensuring physical gas flow in the Romania-Ukraine direction: the deadline for the implementation of the project for ensuring physical gas flow in the Romania-Ukraine direction is conditional upon the capacity demand in the IP Medieșu – Aurit / Tekovo.