

ERGEG Gas Focus Group / Storage & Balancing TF

Guidelines for Good Practice for Gas Storage System Operators (GGPSSO)

Storage National Report

Energy Regulatory Office – Czech Republic

14 March 2006

Introduction

On 15 September 2005, during the 10th Madrid Forum, ERGEG presented the preliminary results of its first monitoring exercise on the implementation of the GGPSSO. The Forum asked ERGEG to produce a follow-up report on the implementation of the Guidelines for the 11th Madrid Forum, to be held in May 2006. On 7 December 2005, ERGEG published the final results of its report on "Monitoring the implementation of the GGPSSO". In parallel, ERGEG proposed to undertake a second monitoring exercise assessing the effectiveness of the GGPSSO, and the functioning of the market for storage services.

The two main findings of ERGEG's first monitoring report on the implementation of the GGPSSO were that:

- the level of implementation of some key areas of the GGPSSO was insufficient;
- compliance with some specific requirements of the GGPSSO needed further investigation, which might in some cases require **assessment at national level**.

The Terms of Reference of ERGEG's second monitoring report on the implementation of the GGPSSO, approved during the 17 January GFG meeting, call for a series of actions aimed at addressing these issues. As indicated in the Terms of Reference, it would be extremely helpful if each ERGEG member with storage facilities in their jurisdiction produced a short national report on storage (5 to 10 pages) (hereafter referred to as the "Storage National Report"). These reports should focus on those GGPSSO requirements which are easier to monitor at national level, e.g. confidentiality requirements.

The present document sets the basic outline of the Storage National Report. By outline, we mean a description of the main sections the Storage National Report ought to contain, in order to ensure a minimum degree of consistency between the different reports. The exact content of each section is however left to the discretion of ERGEG members, who are better positioned than the Gas Storage & Balancing TF to assess what issues are of critical importance in their respective markets.

The information presented in the 2005 Regulators' national reports should constitute the starting point.

The **deadline** for submitting the **completed Storage National Reports is 14th March 2006**.

Please return them to rcarnevalini@autorita.energia.it, pierre-marie.cussaguet@cre.fr and in copy to Rafael.Gonzalez@ceer-eu.org.

In order to ensure that all interested parties are consulted, ERGEG will send out a questionnaire to SSOs. Storage users will be consulted from May 2006, to gather their feedback on the implementation of the GGPSSO requirements after 1 April 2006. Their views will be particularly important in assessing implementation of the GGPSSO.

ERGEG intends to publish an initial report on the implementation of the GGPSSO in May 2006 and it expects to present its findings at the next Madrid Forum. ERGEG will issue a final report on implementation after it has an opportunity to consider responses to its initial report.

Any question on this questionnaire should be directed in the first instance to:

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1 Background information on storage in your country

1.1. Update of the information already presented in the 2005 Regulators' national reports, especially in case of further developments regarding the storage in market (or anything else affecting the storage market) in your country

There are no any relevant changes regarding the storage trade in the Czech Republic, how it was presented in our 2005 Regulator national report.

1.2. Description of your competences in the area of storage and of the role of any other bodies/entities involved (where applicable examples of the decision making process would be helpful, i.e. for tariff/price setting or capacity allocation mechanisms).

The competences and the role of the Czech Energy Regulatory Office (ERO) are given by the Energy law. Because the natural gas storage is non regulated activity, the competences of ERO and the role of other state institutions are very limited.

Until the end of the price regulation, ERO is to regulate a storage price for all non-eligible customers. From a full market opening, ERO should only monitor both TPA and storage tariffs.

As for other state institutions, the Ministry of Industry and Trade (MIT) has the power over approval of the building a new storage site.

Further, storage entities are obliged to compile and to deliver to MIT and ERO the Storage Quality Services Report. Storage entities are also obliged to report daily, monthly, yearly and five-yearly capacity and output balances of underground gas storages to Balance Centre.

2 Effective implementation of the GGPSSO

2.1 Roles & responsibilities of Storage System Operators

2.2.1. Existence of a document setting out all terms and conditions for the use of storage by affiliates under GGPSSO § 1.3 and overall assessment:

- is such document in line with the general requirements of non discrimination contained in the GGPSSO?

All necessary terms and condition for usage of storage and TPA are uploaded on RWE Transgas web-side. The Storage Code of SSO and its behaviour are in line with GGPSSO.

Further, RWE Transgas is oblige to send work out the above mentioned report for Balance Centre ,

2.2 Necessary TPA services

2.2.1. Institutional arrangements surrounding exclusion of capacity from TPA:

- what entities are responsible for making decisions on this matter;
- what role does each of them play in the overall process?

There is no capacity exclusion from TPA but only the storage capacity that is leased by Transmission system operator (TSO) for a balancing of its own transmission system. The capacity volume is determined by the TSO and this is matter of ERO approval.

2.2.2. Role of your regulatory authority (and any other bodies/entities involved) in designing the menu of services offered by the SSO:

- is it completely up to the SSO to design services offered or is a relevant national regulatory authority consulted or in charge of approving this offering?

The storage service is fully determined by the Storage system operator and it is send to ERO only for information. Nowadays, the main service is offered as bundle of storage gas output and corresponding gas injection and gas volume.

2.2.3. Storage services tariffs/pricing methodologies:

- is your regulatory authority (or any relevant national regulatory authority) involved (e.g. by benchmarking storage tariffs, by regulating tariffs)?

The storage service price for non-elegible customers is regulated and it is set by ERO. The storage price is part of a capacity price for the above mentioned segment of end customers. The regulated tariffs are set as cost-plus ones with appropriate rate of return on assets. For the assets is used book value (based on historical value).

The determination of the capacity price is provided together by ERO and SSO.

2.2.4. Overall assessment of the menu of services offered by the SSO(s):

- are storage services offered in a way that facilitates competitive, non-discriminatory, and efficient access to best meet storage users' needs (in accordance with the requirements of the GGPSSO 3.3)?

Because in reality there is one SSO in the Czech Republic, there is used only non-discriminatory principle that would to guarantee end customers fair treatment.

2.3 Capacity allocation and congestion management

2.3.1. Capacity allocation procedures and congestion management mechanisms, and the development of competition:

- are these arrangements likely to create undue barriers to market entry and not prevent market participants, including new market entrants and companies with a small market share, from competing effectively (in accordance with the requirements of the GGPSSO 4.1.a&c) ?

Nowadays, there is no additional storage capacity on the Czech gas market. RWE Transgas has to licences additional required capacity abroad. In the case of sufficient storage capacity there will be used the process in accord with GGPSSO.

2.3.1. Description of the relationship between storage contract durations and capacity allocation procedures / congestion management

See above

2.3.3. Description of the relationship between PSO (Public Service Obligations) and capacity allocation procedures/congestion management

See above

2.4 Confidentiality

2.4.1. Overall assessment of the arrangements in place to ensure that no information available to the SSO concerning its storage business is passed to other parts of the any affiliate (e.g. databases related to storage operations kept separate, new IT systems being developed in vertically integrated undertakings developed separately for the storage business, separate buildings for the SSO and for the supply business):

- have these arrangements been monitored and by whom?
- are these arrangements effective?

The RWE SSO is part of RWE Transgas. The majority of storage capacity is sold out to RWE Transgas Trade. Because both RWE SSO and RWE Trade is part of the RWE Transgas, it is difficult to secure the Chinese wall between them. The situation in RWE Transgas is monitoring together by ERO a MIT. Despite a lack of the storage capacity in the Czech Republic, we are persuaded that the arrangements are quite effective.

2.4.2. Overview of the content of the code of conduct/compliance programme with main strengths/weaknesses highlighted

N/A

2.4.3. If compliance to the confidentiality requirements of the GGPSSO is poor:

- is it an issue for the development of the market for the storage capacity?

N/A

2.5 Transparency

2.5.1. Description, where applicable, of the process followed in case some of the information required by the GGPSSO is not published by the SSO(s) in your jurisdiction (e.g. notification to national regulator)

RWE Transgas fulfil all requirements of GGPSSO; therefore, there was not need for any intervention from a side both ERO and MIT. The potential interventions are describe in Energy law and shall be use if necessary.

2.5.2. Description, where applicable, of the process followed in case a storage user has made a request to a SSO so that the information about the aggregate use of storage is not published (e.g. review of the decision made by to national regulator).

See above

2.6 Secondary markets

2.6.1. General assessment of the extent to which secondary markets are developed or undeveloped in your jurisdiction

The principle of the secondary market is described in Regulation of ERO No.673, which generally determines rules for gas market organization. There is stated that capacity transfer is possible to be realise on 1st day of each month and that capacity transfer is to be provided in accord with Storage Code of SSO. (See Questionnaire supplement of RWE Transgas SSO);

3 Need for other measures beyond the GGPSSO

3.1. Proposal of additional measures, at European level, if indeed the GGPSSO are not sufficient to ensure fair, transparent and non discriminatory conditions for access to storage, in the light and in the spirit of Directive 2003/55.

The Directive 2003/55 is to give each state of European Union option to set own approach to storage market. The Czech Republic has chosen a negotiated third party access to storages. This fact together with shortage storage capacity in the Czech Republic to form difficult situation for new comers despite the RWE SSO fulfil all provisions of the GGPSSO.