



THE NATIONAL ENERGY REGULATORY AUTHORITY

ROMANIA

NOTICE OF APPROVAL no. 24/27.03.2019

Considering:

- Article 130 para. (1) lit. s) of the Power and Gas Law no. 123/2012, as amended;
- Article 86(2) of the Annex to Order No 16/2013 of the ANRE President, as amended;
- SNTGN TRANSGAZ SA MEDIAȘ letter no. 13955/06.03.2019, registered with ANRE under no. 20392/06.03.2019, requesting the endorsement of the following document: *Draft methodology for setting the tariffs charged by the natural gas balancing market administrator*,

pursuant to the provisions of Article 5 para. (1) letter d) of Government Emergency Ordinance No 33/2007 on the organisation and functioning of the National Energy Regulatory Authority, approved as amended by Law No 160/2012, as amended,

the President of the National Energy Regulatory Authority hereby issues,

THE NOTICE OF APPROVAL

Art. 1. *"The methodology for setting the tariffs charged by the natural gas balancing market administrator"* provided for in the Annex hereto is approved.

Art. 2. This approval is notified to SNTGN TRANSGAZ SA MEDIAȘ and becomes effective as of 1 April 2019.

Art. 3. SNTGN TRANSGAZ SA MEDIAȘ published the *"The methodology for setting the tariffs charged by the natural gas balancing market administrator"* within 24 hours from the receipt of this Notice of approval.

The President of the National Energy Regulatory Authority
Henore Florin SOREATA

Illegible signature and stamp

THE METHODOLOGY FOR SETTING THE TARIFFS CHARGED BY THE NATURAL GAS
BALANCING MARKET ADMINISTRATOR

CHAPTER I. SCOPE

Art. 1 This methodology, hereinafter referred to as the "Methodology", establishes the method for determining the revenue of the natural gas balancing market administrator, as well as the method for calculating the tariffs for the services provided by the natural gas balancing market administrator to the market participants, drawn up following the provisions of Article 862 paragraph 5 of the Order of the President of ANRE no. 16/2013 on the approval of the Network Code for the National Gas Transmission System, as amended.

Art. 2 The Methodology aims at the following:

- a) ensure the recovery of justified costs incurred in a prudent manner by the TSO for the administration/trading activities of the gas balancing market;
- b) promote efficient operating practices;
- c) efficient use of resources;
- d) continuous improvement of the quality of services provided;
- e) financial viability of the gas balancing market operator;
- f) tariffs for the services provided by the balancing market administrator to the participants in the gas balancing market shall be transparent and non-discriminatory.

Art. 3 The revenue for the services provided by the gas balancing market administrator to the market participants shall be the sum of the total justified costs.

CHAPTER II. SCOPE OF APPLICATION

Art. 4 The methodology shall apply for setting transparent and non-discriminatory tariffs charged by the gas balancing market administrator.

CHAPTER III. DEFINITIONS AND ABBREVIATIONS

Art. 5 (1) The terms used in this methodology are defined in the Power and Gas Law No 123/2012, as amended.

(2) For the purposes of this Methodology, the following terms are defined as follows:

Tariff period	The period for which the tariffs charged by the balancing market administrator are calculated; this is a gas year (1 October to 30 September). For the gas year 2018 - 2019, the tariffs charged by the market administrator shall be determined for the period 1 April 2019 - 30 September 2019. 2019
Uniform Resource Locator	Address of an Internet document. Contains the name of the file as well as information on the exact location of that file,
Universal Serial Bus	Designates a bus assembly and connector type used for data transmission.
Unit traded on the gas balancing market	Unit to be sold/purchased on the gas balancing market, expressed in MWh.
Transaction	Firm legal agreement concluded between two or more parties, whereby certain rights are transferred or a trade, exchange, etc. is made.

(3)The following abbreviations are used in this Methodology:

TSO – Transmission System Operator

URL - Uniform Resource Locator

USB - Universal Serial Bus

TU – Traded Unit

CHAPTER IV. DETERMINATION OF THE REVENUE OF THE GAS MARKET ADMINISTRATOR

Art 6 (1) The annual revenue for the provision of services by the balancing market administrator to the market participants in the gas balancing market shall be the revenue

needed to cover the justified costs of the activities performed for the balancing market administration.

(2) The substantiated costs taken into account in determining the annual revenue shall be those necessary for carrying out the activity of administering the gas balancing market in accordance with the applicable regulations.

(3) The substantiated costs taken into account in determining the revenue shall be the costs for each of the activities for which tariffs are set under this methodology.

(4) The main categories of costs taken into account in determining the revenue shall be:

- a) charges for the rental/provision to the gas market of a balancing platform;
- b) expenditure on staff involved in the activities referred to in Article 7;
- c) expenditure on equipment for staff involved in the activities referred to in Article 7;
- d) any other expenditure resulting from the activities referred to in Article 7.

Art. 7 The activities carried out by the Gas Balancing Market Administrator are mainly the following:

- a) the organisation and administration of the gas balancing market;
- b) monitoring and verifying the fulfilment of the tasks and obligations of the designated Balancing Market Operator for natural gas to ensure that they comply with the provisions of the documents related to the agreement on the organisation and administration of the balancing market and the provisions of the Network Code;
- c) making available to the designated Gas Balancing Market Operator information on the significance and limit of the daily imbalance of each participant for gas day D-1;

Art. 8 The annual substantiated revenue of the gas balancing market administrator from services provided to market participants in that market (V) shall be calculated according to the following formula:

$$V(t) = V_{\text{trans}}(t) + DV(t) \text{ [lei]}$$

$$DV(t) = (V_{\text{substantiated}}(t-1) - V_{\text{achieved}}(t-1))$$

where:

- $V_{trans}(t) = C_{trans}$ is the annual revenue obtained from the activity of administering/performing transactions in the balancing market for natural gas, calculated on the basis of substantiated costs C_{trans} ;
- $DV(t)$ is the difference between the revenue based for the tariff period $t - 1$ and the revenue achieved during the tariff period $t - 1$;

Art. 9 for the purpose of determining the annual revenue, i.e. the tariff for the tariff period (t), the natural gas balancing market administrator shall, by 1 August of each year (t-1), submit for internal approval the following information containing its own estimates for the tariff period (t):

- a) justified costs;
- b) the number of units traded (TUs) by participants in the gas balancing market during the tariff period ($Q_{trans}(t)$);
- c) the income necessary to carry out the balancing market administration activity;
- d) the proposed tariff.

Art. 10 In calculating the tariff charged, any substantiated costs associated with the activities of the gas balancing market administrator shall be taken into account only once. Where it is found that a cost has been included more than once, it shall be corrected by deducting it from the revenue of the next regulatory period.

Art. 11 Partial recovery or over-recovery by the gas balancing market administrator of revenue relating to activities performed, recorded during a tariff period, shall be settled by adjusting the revenue to be recovered from the activities performed by the gas balancing market administrator during the next tariff period.

CHAPTER V. MEANS OF CALCULATING THE TARIFFS FOR THE ACTIVITIES OF THE GAS BALANCING MARKET ADMINISTRATOR

Art. 12 For the gas balancing market, the gas balancing market transaction tariff monthly applied to each participant for the sale/purchase transactions it carries out every month on

the gas balancing market shall be set annually.

Art. 13 The tariff for transactions on the gas balancing market shall be calculated according to the following formula:

$$T_{\text{trans}(t)} = V_{(t)} / (2 * Q_{\text{trans.}(t)}) \quad [\text{lei/UT}]$$

where:

$V_{(t)}$ [lei] is the annual revenue from trading on the gas balancing market as defined in Article 8, and

$Q_{\text{trans}(t)}$ [TU] means the number of units traded during the tariff period by participants in the gas balancing market, as defined in Article 9(2) b).

CHAPTER VI. FINAL PROVISIONS

Art. 14 (1) The Balancing Market Administrator shall monitor the activity of the Gas Balancing Market Operator appointed to operate/transact on the balancing market.

(2) The Balancing Market Administrator shall charge the tariff for the administration of the Balancing Market established in accordance with the provisions of this Methodology as well as in accordance with the provisions of the Agreement on the Organization and Administration of the Balancing Market agreed with the Designated Balancing Gas Market Operator.

Art. 15 (1) The tariff charged by the Gas Balancing Market Administrator shall be established for each tariff period (t) and shall be approved internally by 30 September of the respective tariff period in accordance with this Methodology.

(2) For the purpose of determining the tariff charged by the balancing market operator for natural gas during tariff period (t), the revenue required referred to in Art. 9 lit. (c) shall be corrected taking into account the values set out in Article 11.

Art. 16 All costs related to the determination of the revenue required for the gas balancing market administrator for services provided to gas balancing market participants shall be expressed in nominal terms.

Art. 17 The cash entitlements of the Gas Balancing Market Administrator resulting from the application of the tariff established according to this Methodology shall be obtained on a

contractual basis.

Art. 18 The Balancing Gas Market Administrator shall be obliged to keep separate accounts for the Balancing Gas Market.

Annex to the Methodology

DESCRIPTION OF THE ACTIVITIES PROVIDED BY THE 'DESIGNATED GAS BALANCING MARKET OPERATOR'

Administration of the gas balancing market

For the purpose of administering the balancing market for natural gas, the designated gas balancing market operator shall have the following tasks:

- shall carry out, under transparent, objective and non-discriminatory conditions, the registration of participants and the organisation and administration of transactions on the gas balancing market;
- receives the participant's request for registration and the related documents, in accordance with the regulations;
- verifies the accuracy and completeness of the documents and requests additions or corrections where necessary;
- confirms the completeness and validates the documentation;
- records the participants' details in the Trade Register;
- after the parties have signed the Participation Convention, the Operator sends the applicant the identification code, at which point the applicant is registered as a participant in the balancing market;
- ensures the withdrawal, revocation or suspension of a participant's registration, in the situations provided for by the regulations;
- informs the participant, the TSO and ANRE and makes its registration public;
- informs the participant, the TSO and ANRE and makes public information on the withdrawal, suspension or revocation of the participant;
- where applicable, issues upon request, on the basis of the Trading Contract concluded with the participant, the USB Token authentication key, together with the URL addresses necessary for the participant to access the Trading System applications;

- provides the necessary participant training for the use of the USB authentication key and operational assistance;
- draws up reports on economic operators registered on the market, in accordance with the regulations;
- files and archives documents;
- provides the trading framework (organises the maintenance of infrastructure, logistics and staff, including the development, implementation and maintenance of Trading System applications);
- applies specific procedures in emergency situations, including in the event of computer system malfunctions;
- organises and maintains collateral tracking registers;
- makes the information contained in the Trade Register available to other legal entities in accordance with the regulations;
- supervises the functioning of the market and informs the TSO and ANRE about cases of misconduct/abuse reported;
- collects and publishes statistical data on the market, in accordance with the provisions of Law No 123/2012 on electricity and natural gas, as amended;
- provides assistance and advice to market participants;
- reconciles disputes arising between market participants, within the limits of the powers provided by law;
- receives and resolves disputes, in accordance with the regulations, concerning the administration of the gas balancing market;
- drafts and submits to the TSO proposals for improving/upgrading the regulations in force, as well as proposals for new regulations on the activity of the gas balancing market administration;
 - performs all the activities provided for in the service contract concluded with the TSO.

Carrying out transactions

For the purpose of carrying out transactions on the gas balancing market, the designated gas balancing market operator shall:

- receive and validate offers for the sale and purchase of natural gas;
- determine the number of units traded and the closing price of the market;
- determine the winning bid and the trading partners as well as the transaction confirmations for the traded units;
- establishes the Physical Notifications related to the number of units traded for each participant;

where appropriate, checks and notifies the participants and ANRE of any inconsistencies between the text of the contract, published with the offer, and the contract signed between the parties designated by auction;

execute the established guarantees for participation in the auction;

send the transaction confirmations to the participants who took part in the tender session;

publish the closing market price and other relevant market information, subject to confidentiality conditions;

develop, promote and present summary materials on the results of the functioning of the gas balancing market;

receive and resolve complaints, in accordance with the regulations, relating to the performance of the transactions;

develop and submit to the TSO proposals for improving/enhancing the regulations in force, as well as proposals for new regulations on the transaction fulfilment activity;

run the IT applications dedicated to the calculation of payment obligations/collection rights for balancing market participants and other specific regulations; send the results of the operation to gas balancing market participants;

manage the Central Account of the balancing market and ensure the operation of the collection and payment mechanism, every banking day, according to the NBR regulations, corresponding to the natural gas transactions carried out, by issuing Direct Debit Instructions and Payment Orders;

issue monthly invoices and send them to participants who have registered imbalance gas purchases;

receive and verify the monthly invoices issued by participants who have recorded imbalance gas sales;

monitor the guarantees submitted by balancing market participants and determine the amount of guarantees for the validation of tender offers;

call for and pursue the execution of guarantees issued in its favour in order to settle payment obligations of participants not paid on time;

receive and resolve disputes, in accordance with the regulations, relating to the activity of calculating payment obligations/collection rights for participants in the gas balancing market;

draft and submit to the TSO proposals for improvement/upgrading of existing regulations as well as proposals for new regulations concerning the activity of calculating payment obligations/collection rights for participants in the gas balancing market;

issue invoices on behalf of the TSO for the trading fee, collect the consideration for the trading services and remit the amounts to the balancing market administrator on a monthly basis;

any other activities necessary for the operation of the balancing market and provided for in the service contract.