

CONCLUSIONS OF THE MEETING OF THE ENERGY REGULATORS AND TRANSMISSION SYSTEM OPERATORS OF VISEGRAD FOUR COUNTRIES AND THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS ON GAS ISSUES

11th February 2015, Prague

Based on the discussions that took place during the meeting, the representatives of the Energy Regulators of V4 countries came to the following conclusions.

PROJECTS OF COMMON INTEREST (“PCI”)

The regulators emphasized the importance of a regional approach to project development in particular with a view to ensuring the right sizing of projects which will enable them to attract investor interest. They are also ready to provide necessary assistance, both within existing regulatory frameworks and through the instruments provided for in the Regulation on guidelines for trans-European energy infrastructure, provided that benefits of the projects are clearly demonstrated and exhibit a level that will grant special regulatory treatment.

In relation to the PCI's presented, the regulators reached a common understanding that all candidate projects need to be properly analysed so as to ensure that their claimed benefits are feasible. The regulators also agree that infrastructure project planning should take fully into account the regional and pan-European importance of individual projects and at the same time avoid constructing excess capacity. The regulators are prepared and willing to provide expertise and assistance during the selection exercise within the framework of the overall process. They hope that their expert opinion will be taken into account in the process of compiling the second PCI list.

The regulators doubt that the costs of infrastructure construction to increase security of supply, which is by definition an externality, can be fully covered by the tariffs paid by market participants and users of the infrastructure. Therefore, they urge the European Commission to give priority to projects with the highest security of supply benefits when distributing public funds. At the same time, it is important to take into account the best interest of consumers and ensure comparable benefits for all participating V4 countries.

SECURITY OF SUPPLY

The regulators welcomed the publication of the stress tests by the European Commission and appreciated the efforts that were put into this exercise by the Member States and the TSOs. The regulators have confirmed the findings of the stress tests. However, they do not fully share their conclusions and recommendations. The regulators of V4 region raised several concerns during drafting of the stress tests communication, which were not taken into account. The regulators have particular doubts about the excessive confidence in the functioning of the market in difficult physical supply conditions.

The regulators fully understand the importance of the principle of solidarity, but given the primary responsibility of the individual Member States for security of supply to their protected customers, they see a clear rationale for the member states to have a degree of freedom in adopting specific measures at national level, in extraordinary situations. These measures may take the form of a direct regulatory intervention in the functioning of the market.

However, the regulators agree that it is necessary to define emergency procedures in advance and communicate them clearly to the market participants, in order not to undermine their confidence in the functioning of the market due to concerns of arbitrary interference by the state authorities. In this respect, the potential of harmonized regional approach to emergency planning is worth exploring.

MARKET INTEGRATION

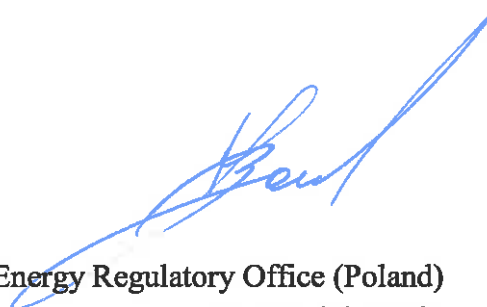
The regulators note with regret the low effectiveness of the current set-up of South-East regional gas initiative. In line with the conclusions of the 26th meeting of the Madrid Forum they recommend a modification of the organization of its work. Specifically, they propose setting up smaller sub-groups within the region. Such groups, which will be by definition more flexible, should be guided by a project oriented approach in order to effectively reach goals of the South-East regional gas initiative. Furthermore the regulators believe that the V4 countries could naturally become one of the sub-groups.

The regulators welcome the publication of the updated Gas Target Model. However, they point out that the implementation of the recommended models for market integration will have major and unprecedented impacts on markets functioning which need to be closely analysed. Actual implementation of the Gas Target Model in the V4 region will be subject to a harmonized network code implementation and will need to reflect development on the markets in following years. It is also crucial that all the participating countries and their end customers share in the benefits of market integration on fair terms.

The regulators are of the view that work on the V4 gas market integration project should continue. It is essential, that all involved parties develop a deeper understanding of V4 gas market integration and the regional benefits arising out of it. The regulators therefore undertake to cooperate more closely both with market participants as well as governments to achieve goals of the project.



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