

May 9 2022

Public consultation regarding gas TYNDP and UGS framework pricing regulation

Rokas Law Firm | Energy & Natural Resources - Greece



MIRA
TODOROVIC
SYMEONIDES

› Introduction

› Context

› Proposed documents

Introduction

On 28 February 2022, the Regulatory Authority for Energy (RAE) launched a public consultation regarding two related documents:

- the draft Natural Gas System Ten Year Network Development Plan (TYNDP) for the years 2022-2031; and
- the draft Framework Pricing Regulation for the Underground Gas Storage (UGS) facility to be developed in the area of South Kavala.

Due to heightened interest among market participants, the duration of the consultation was extended twice and expired on 11 April 2022.

Context

The documents are significant for the development of the gas and the general energy sector in Greece, particularly considering:

- EU policy regarding natural gas (including the European Green Deal and the hydrogen and decarbonised gas market package); and
- recent EU developments, such as the European Commission's proposal to amend:
 - EU Regulation 2017/1938 on the security of gas supply; and
 - EU Regulation 715/2009 on conditions for access to the natural gas transmission network.

In the Greek National Plan for Energy and Climate, natural gas is considered as an intermediate fuel for the transition to the low emissions model. Greece plans to support an increase of the consumption of natural gas until 2030 and to replace it with renewable energy source fuels and hydrogen by 2050.

Proposed documents

Contrary to the above, the proposed documents set out ambitious development of the natural gas transmission system and require significant investments in pipelines, new floating liquefied natural gas (LNG) terminals and the UGS, while at the same time, new gas-fired electricity production plants are being planned and built. The proposed LNG and UGS projects are significant for the security of energy supply in Greece, but will need sufficient pipeline capacities to be adequately exploited. Subsequently, all the above, along with other parameters, should be carefully weighed up and the input of stakeholders is thus essential.

The draft TYNDP proposes a budget of €830 million for its implementation, out of which €183 million would go towards new projects (not approved in the 2021-2030 TYNDP).

In June 2020, the competitive procedure for the concession regarding the construction and operation of the UGS was initiated. The law provides that part of the investment and operation costs may be covered, during the operation of the UGS, through levies collected from the Greek natural gas market on the basis of a methodology to be regulated in the UGS Framework Pricing Regulation. The exact percentage of such coverage is determined by the RAE at the proposal of the UGS operator.

Before selection of the concessionaire, the RAE should (according to a ministerial decision)⁽¹⁾ issue an UGS Framework Pricing Regulation providing the basic principles and guidance for the methodology regulating the required operator's income and the pricing of UGS users, in order for the participants in the competitive procedure to adjust their offers accordingly. The RAE's initial proposal, provided in the draft Framework Pricing Regulation, regarding how the investment and operation costs of the concessionaire will be covered, up to a maximum of 50% is:

- either by imposing a special gas storage levy to the Greek natural gas market calculated on the basis of the estimated consumption of natural gas by the transmission system users; or
- from income of UGS operators, which will be obliged by law to store natural gas in order to secure available gas in case of crises in supply.

Furthermore, the RAE indicated that there will be a need for an additional investment in transmission system installations ranging from €300-700 million in order to ensure firm capacity and uninterrupted operation of the UGS.

For further information on this topic please contact [Mira Todorovic Symeonides](mailto:m.todorovic@rokas.com) at Rokas Law Firm by telephone (+30 210 361 6816) or email (m.todorovic@rokas.com). The Rokas Law Firm website can be accessed at www.rokas.com.

Endnotes

(1) 26579/675/10 March 2020.