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BELGIUM

Gas Transmission Operator GAZ-SYSTEM S.A.'s response to the public consultation on an EU strategy for liquefied natural gas and gas storage

Dear Sirs,

Gas Transmission Operator GAZ-SYSTEM S.A. (GAZ-SYSTEM) is a strategic Company for the Polish economy, responsible for the transportation of natural gas via the transmission network throughout the country to supply the distribution networks and final customers connected to the transmission system. GAZ-SYSTEM is currently at the final stage of implementation of a large investment program aimed at developing internal transmission network and enhancing its interconnectivity with adjacent systems (approx. 1200 km pipelines to be commissioned by 2015). The company is also responsible via its SPV (Polskie LNG S.A.) for the construction of the LNG terminal in Świnoujście.

GAZ-SYSTEM responses to relevant consultation questions are provided hereinafter.

We remain at your disposal for further questions and clarifications.

Yours sincerely,

Sławomir Śliwiński
Member of the Management Board

Rafał Wittmann
Proxy

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The main comments from GAZ-SYSTEM S.A.

We are grateful to the European Commission for the possibility to express our views in the public consultation on the LNG and UGS strategy. We hope that the consultation process, and stakeholders' input gathered therein, will contribute to the security of gas supply by developing of a robust strategy that will make full use of LNG and storage infrastructure in the EU.

Please find below a brief summary of the key opinions and proposals from GAZ-SYSTEM:

- **Tariff adjustment for LNG.** According to Article 11 of draft Network Code on Harmonised Tariff Structures for Gas (TAR NC) national regulatory authorities may apply non-standard mechanisms when setting tariffs for entry/exit points to storage facilities. GAZ-SYSTEM believes that due to the similar characteristics of storage and LNG, as well as LNG contribution towards enhancing security of supply and fostering competition, it is essential to broaden the application of Article 11 to entry points connecting the transmission system with LNG terminals. Such extension will have an impact on increased affordability and accessibility of LNG on the European market. This will also contribute towards enhanced security of supply in vulnerable EU regions.
- **Regional role of LNG terminal in Świnoujście.** The terminal will soon be fully operational. Once put into commercial operation, the terminal in Świnoujście will have a positive influence on the security of supply and diversification in the region. As highlighted in the consultation document this will be the case in the Baltic region. However, GAZ-SYSTEM would like to emphasize that the impact of the facility will also cover Central-Eastern Europe via the planned PL-CZ and PL-SK interconnections.

These topics are elaborated in more detail in relevant parts of the position paper.

Question 1: Do you agree with the assessment for the above regions in terms of infrastructure development challenges and needs to allow potential access for all Member States, in particular the most vulnerable ones, to LNG supplies either directly or through neighbouring countries? Do you have any analysis or view on what an optimal level/share of LNG in a region or Member State would be from a diversification / security of supply perspective? Please answer by Member state / region.

GAZ-SYSTEM agrees that all EU Member States, in particular those which are the most vulnerable in the Baltic, CEE and SEE regions, should have access to LNG supplies, either directly or indirectly through terminals located in their regions. LNG should be able to flow freely to adjacent markets where and when it is needed. Therefore, well-interconnected infrastructure is necessary to explore the full potential of LNG regasification terminals. This is in particular the case of the Baltic and CEE regions where LNG is the most perspective source of gas that may contribute towards diversification from the current major supplier (LNG is the first source of physical diversification for the aforementioned regions).

GAZ-SYSTEM largely shares the view on circumstances in terms of infrastructure development and supply diversification. However, please note that the construction of LNG terminal in Świnoujście is almost completed. The Polish LNG terminal will be soon fully operational and, therefore, it will contribute to the enhancement of the security of supply of Poland and other countries in the region as well. In this context, it needs to be emphasised that the terminal in Świnoujście will have a positive influence on the security of supply and its diversification in the Baltic region, as it is briefly mentioned in the consultation document (page 3, point 2.6). This will be possible either by transporting gas from Świnoujście via the planned Gas Interconnection Poland – Lithuania (GIPL) or it may supply smaller LNG terminals in the Baltic Sea region by reloading LNG to vessels.

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Additionally, the role of Świnoujście terminal may well extend the Baltic area and cover also countries in Central-Eastern Europe. Such contribution will be possible by implementing the North-South corridor in the Central-Eastern and South-Eastern Europe. In consequence, LNG supplies from Świnoujście may be transported via the planned PL-CZ and PL-SK interconnections to the Czech Republic, Slovakia and Hungary, so the countries which are classified as dependent on one supplier and with no access to LNG (page 3, the point 2.2 in the consultation document). Such solution may be the most optimal given the proximity of the Polish LNG facility to other countries in the CEE region. Having this in mind, GAZ-SYSTEM suggests that the role of Świnoujście terminal should also be reflected in the section concerning the North-South interconnections in Central- and South-Eastern Europe (page 3, point 2.4).

GAZ-SYSTEM welcomes actions taken currently by the European Commission and other relevant parties in the area of infrastructure development, in particular those taken with regards to TEN-E and CEF Regulations. Efforts aimed at timely implementation of key gas projects are of primarily importance. They contribute towards a sustainable development of gas infrastructure across the EU and thus ensuring that the objectives of the Energy Union are met.

As indicated in the consultation document, special attention should be paid to guaranteeing that each EU region has access to LNG supplies, either directly or via other Member States. From a general perspective a share of LNG in each region should be substantial enough to enable the delivery of significant volumes of LNG to foster effective gas-to-gas competition and increase diversification of supply in normal and emergency situations. In this respect, the demand for gas in the CEE region (consisting of Poland, the Czech Republic, Slovakia and Hungary) amounts for approx. 40 bcm/y. The LNG terminal in Świnoujście with the initial capacity of 5 bcm/y (with possible extension up to 7.5 bcm/y) may play an important role which will allow that the aforementioned objectives in the CEE region are achieved.

Question 2: Do you have any analysis (cost/benefit) that helps identify the most cost-efficient options for demand reduction or infrastructure development and use, either through better interconnections to existing LNG terminals and/or new LNG infrastructure for the most vulnerable Member States? What, in your view, are reasons, circumstances to (dis)favour new LNG investments in new locations as opposed to pipeline investments to connect existing LNG terminals to those new markets?

The most cost-efficient solution for infrastructure development and supply diversification implies the use of existing assets. However, this is possible only to a certain extend in the most vulnerable regions in the Baltic, CEE and SEE areas. This results from limited interconnectivity between the countries in these regions, preventing the possibility of effective transmission of gas from non-major sources of supply to adjacent systems. For instance the lack of sufficient cross-border capacity at the PL-CZ, PL-SK and PL-LT borders currently reduces the regional impact of LNG terminal in Świnoujście which is the first large-scale and direct source of diversification in the CEE region.

GAZ-SYSTEM is about to complete its investment plan that aims at fostering supply diversification and market integration. Between 2009 and 2015 GAZ-SYSTEM commissioned a number of investments covering the construction of more than 1,200 km of new gas transmission pipelines and cross-border capacities at PL-DE and PL-CZ borders. In addition, LNG terminal in Świnoujście will soon be put into operation. The expansion of the gas infrastructure in Poland is seen as the first major step done by GAZ-SYSTEM in the development of a well-integrated natural gas markets in Central-Eastern Europe and in the Baltic region. In the coming years GAZ-SYSTEM plans to continue its investment plan by creating sufficient cross-border capacities with the Czech, Slovak and Lithuanian systems. The success of these measures depends largely on regulatory and financial environment that reflects benefits of projects driven by SoS and market integration purposes.

Question 3: Do you think, in addition to the already existing TEN-E Regulation, any further EU action is needed in this regard? Do you think the use of LNG gas and existing LNG infrastructure could be improved e.g. by better storage possibilities, better network cooperation of TSOs or other measures? Please give examples.

As highlighted in the consultation document, some EU Member States may require particular attention when developing LNG terminals to diversify their gas supply portfolio. GAZ-SYSTEM believes that this applies to Poland and other countries in the CEE region, given a high share of their supply dependency from the major supplier and limited gas-to-gas competition.

The TEN-E Regulation is one of the existing measures that has a vital role in the development of LNG infrastructure in the EU. Timely implementation this legal act may greatly contribute towards streamlining administrative and regulatory procedures and incentivising gas infrastructure projects. This, as a result, can lead towards accelerated construction of key infrastructure projects to explore the full potential of LNG in Europe, i.e. by enabling that the countries in the CEE region to gain access to gas coming from LNG terminals in the CEE region (e.g. from the terminal in Świnoujście).

GAZ-SYSTEM shares the view of the European Commission that one of the key challenges facing currently functioning LNG terminals is low capacity utilization. Even in EU Member States with highest utilization the average rate is still relatively low.

In GAZ-SYSTEM's view, the main reasons for low capacity utilisation are:

1. High cost of regasification
2. High cost of transmission system entry.

Re. 1) High cost of regasification. The high cost of regasification is, to some extent, caused by increased capital expenditures, combined with relatively limited capacity of currently developed regasification terminals, and by limited capacity booking. GAZ-SYSTEM believes that in order to fully enjoy the benefits of LNG infrastructure on certain markets, some support mechanisms for LNG regasification terminals should be envisaged on the EU or national level.

Re. 2) High cost of transmission system entry. According to Article 11 of draft Network Code on Harmonised Tariff Structures for Gas (TAR NC) national regulatory authorities may apply non-standard mechanisms when setting tariffs for entry/exit points to storage facilities. GAZ-SYSTEM believes that due to similar characteristics of storage and LNG and LNG contribution towards enhancing security of supply and fostering competition, it is essential to broaden the application of Article 11 to entry points connecting the transmission system with LNG terminals. In such case national regulatory authority would have a possibility to take into account potential net benefits that storage and/or LNG facilities bring to the system under specific circumstances in a given country and region.

The European Commission in its consultation paper (point 7.8) highlighted the ability of LNG terminals to provide a form of storage, suitable both for peak performances and operative purposes. UGS facilities and LNG terminals contribute in a similar manner towards enhancing security of supply and smoothing out gas prices to make them more competitive. Therefore, both LNG and UGS facilities should be treated under the same principles based on Article 11 of TAR NC.

In addition, we believe that application of tariff adjustment for LNG terminals will lead towards the following benefits:

- increased affordability and accessibility of LNG terminal regasification services;
- increased competition on local gas market;
- increased pressure on current gas suppliers and stronger price competition;
- increased security of supply, in particular in countries in the CEE and Baltic regions where LNG is the most perspective source of gas to diversify gas supply and increase competition.

These benefits are consistent with those of the public consultation on LNG and UGS strategy. Hence, GAZ-SYSTEM would like to suggest introducing the following amendment to Article 11 of TAR NC (the proposed changes are in bold):

Article 11

*Secondary adjustment: storage **and LNG** adjustment*

*When the national regulatory authority sets or approves the reference prices at entry points from and exit points to storage **or LNG** facilities, the following shall be taken into consideration:*

*(1) the net benefits that the storage **or LNG** facilities may provide to the transmission system;*

(2) the need to promote efficient investment in the transmission system;

(3) the need to minimise detrimental effects on cross-border trade.

GAZ-SYSTEM is of the opinion that introduction of the aforementioned amendment to TAR NC may well be one of the most concrete and tangible contributions resulting from the public consultation.

Question 4: What in your view explains the low use rates in some regions? Given uncertainties over future gas demand, how would you assess the risk of stranded assets and lock-in effects (and the risk of diverting investments from low carbon technologies such as renewables and delaying a true change in energy systems) and weigh those against risks to gas security and resilience? What options exist in your view to reduce and/or address the risk of stranded assets?

GAZ-SYSTEM would like to draw the attention to the annex of the consultation document where a graph describing the "Projected EU28 Gas Demand" provides inaccurate data about the evolution of gas demand in Europe. The forecast seems to be based on old data (Eurostat 2010) and, therefore, it may not reflect properly mid and long-term trends on the gas market. The above is also stated in 1.3, where gas demand reduction is pointed as a result of the increase of energy efficiency and the deployment of low carbon alternatives. It should be noted, that natural gas, including LNG, is already an available and affordable alternative to decrease the emissions in transport and energy sector. Having in mind predicted significant growth in electricity demand, especially from RES, gas demand should not be reduced.

In this context it is worth recalling the recent data published by the European Commission in the report on European gas markets[1]. Based on Eurostat evaluations the EU gas consumption increased by an estimated 12% in the first quarter of 2015, compared with the same period the year before. Imports from Norway were robust, while convergence of LNG prices on global markets contributed to an increase in LNG imports by 24%. Therefore, so significant fall in demand, as forecasted in the Primes scenario, seems not to be fully accurate to forecast utilisation rates of gas infrastructure in the long run.

Please note that TYNDP 2015[2] is a valuable source of data on future gas demand in the EU. The assessments done in ENTSOG illustrate that the demand is expected to be stable in the perspective of 2035. Such evolution is however not spread evenly in the EU, as the highest demand increase is expected in the countries in the CEE and SEE region.

In addition, GAZ-SYSTEM would like to point that investments in gas infrastructure may meet the precondition of environmental sustainability. This is especially the case of Poland and other EU Member States that largely depended on coal and lignite in terms of energy production. Hence, investments in gas infrastructure support fuel switching to more environmentally-friendly fuels such as natural gas and, therefore, contribute towards reduction of emissions in an effective manner. Natural gas will also play an important balancing and flexibility providing role, with the gradual RES development in the CEE region.

On the low utilisation rates, GAZ-SYSEM would like to underline that LNG is a global market and LNG cargoes are diverted following price signals. With the evolution of global LNG market resulting in lowering LNG price and price convergence between major regional markets (e.g. East Asia and Europe), one may expect significantly more LNG cargoes to arrive in the EU in the short to medium term. This should in turn benefit the European market by fostering gas-to-gas competition and enhancing diversification of supply.

Question 5: The Energy Union commits the EU to meeting ambitious targets on greenhouse gas emissions, renewable energy and energy efficiency, and also to reducing its dependency on imported fossil fuels and hence exposure to price spikes. Moderating energy demand and fuel-switching to low carbon sources such as renewables, particularly in the heating and cooling sector, can be highly cost-effective solutions to such challenges, and ones that Member States will wish to consider carefully alongside decisions on LNG infrastructure. In this context, do you have any evidence on the most cost-efficient balance between these different options in different areas, including over the long term (i.e. up to 2050)?

Please see the answer to question number 4.

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[1] The report is available under the following link: https://ec.europa.eu/energy/sites/ener/files/documents/quarterly_report_on_european_gas_markets_q1_2015.pdf.

[2] The report is available under the following link: http://www.entsog.eu/publications/tyndp#ENTSOG-TEN-YEAR-NETWORK-DEVELOPMENT-PLAN-2015.

POTENTIAL ENTRY BARRIERS FOR LNG

Question 6: What in your view are the most critical regulatory barriers by Member State to the optimal use of and access to LNG, and what policy options do you see to overcome those barriers? Have you encountered or are you aware of any problems in accessing existing LNG terminal infrastructure, either because of regulatory provisions or as a result of company behaviour? Please describe in detail.

The use of and access to LNG regasification terminals is hampered both by infrastructure limitations and regulatory barriers. For instance the availability of LNG in the Baltic and CEE regions is limited by bottlenecks in transmission infrastructure, i.e. no or limited availability to distribute gas from the LNG terminal in Świnoujście to neighbouring markets. In the regulatory area, the accessibility of LNG could be improved by allowing for support mechanisms for currently developed terminals as well as allowing for non-standard mechanisms to be applied when setting tariffs for LNG terminals. For more information on this topic, please see the comments of GAZ-SYSTEM under the question no. 3.

Question 8: More specifically, do you consider that ongoing EU policy initiatives and/or existing legislation can adequately tackle the outstanding issues, or there is more the EU should do?

Please see the comments of GAZ-SYSTEM on tariff adjustment for LNG terminals under the question no. 3.

INTERNATIONAL LNG MARKETS

Question 9: How do you see worldwide LNG markets evolving over the next decade and what effects do you expect this to have on EU gas markets? Do you expect a shift away from oil-indexed LNG contracts, and if so under what conditions?

GAZ-SYSTEM shares the view of the European Commission in terms of circumstances and trends on the global LNG market.

Conditions in the international LNG market are currently changing (i.e. with the surge in LNG output, lower demand among consuming countries). These factors should have an impact on enhancing the competitive position of LNG on the European market in the upcoming years. This trend is already visible in the European Commission's report on European gas markets Europe. The data published in the report illustrate a 24% increase of LNG imports to Europe in the first quarter of 2015.

Question 10: What problems if any do you see with the functioning of the international LNG market, particularly at times of stress? Are there specific actions the EU should take, in dialogue with our international partners, including in trade negotiations, to improve its functioning and/or to make the EU market more attractive as a destination for LNG? Could voluntary demand aggregation be helpful in some way?

LNG imports to the EU are one of the key measures to enhance diversification of gas supplies and increase gas supply potential to the EU. Therefore, actions should be taken with a view of fostering liquidity of global LNG market and eliminating any barriers to LNG trade and supply.

In addition, instruments supporting LNG as a maritime fuel should be introduced. Under the existing regulatory framework it is very difficult to indicate the appropriate party/body responsible for the low quality/heavy fuel usage monitoring, except of i.e. the fuel quality measurement prior to the entrance to the port. As long as the regulation cannot be implemented and enforced correctly, LNG will not become attractive as a maritime fuel.

LNG TECHNOLOGY ISSUES INCLUDING LNG USE IN TRANSPORT

Question 11: What technological developments do you anticipate over the medium term in the field of LNG and how do you see the market for LNG in transport developing? Is there a need for additional EU action in this area to reduce barriers to uptake, for example on technology or standards, including for quality and safety?

GAZ-SYSTEM agrees with the conclusion made in the consultation paper that LNG is an attractive alternative to existing fuels and therefore its use both in land and maritime transport will be further increased, creating at the same time new perspectives for the gas market in the EU. At this point it shall be underlined that the LNG terminal in Świnoujście, as the first such an advanced project in the area, may serve as a basis for developing the LNG as a fuel for maritime transport in the Baltic Sea.

INTERNAL MARKET CONSTRAINTS AND CHALLENGES FOR STORAGES

Question 14: Are, in your view, current market and regulatory conditions adequate to ensure that storages can fully play their role in addressing supply disruptions or other unforeseen events (e.g. extreme cold spells)?

Gas storage facilities play an important role for the security of gas supply from the perspective of system operation by increasing flexibility of the gas infrastructure. They should be exploited in an efficient manner by utilising storage infrastructure at a regional level. This, however, requires a good level of physical integration between adjacent systems and regulatory solutions that support such regional use of storage facilities. In case of regulatory framework, capacity allocation mechanisms applied on a national level should not limit the possibility to book capacities in adjacent systems, as this prevents cross-border flows.

Recently, it may be observed that trading companies base their strategies on acquiring capacities through cross-border interconnections and spot markets, instead of booking capacities in storage facilities before the winter season. In order to reflect such situation on the market, it is necessary to develop cross-border interconnections allowing to flow gas freely, both in normal conditions as well as in under emergency situations. At this point it shall be underlined that apart from well-interconnected transmission systems, the most important condition in case of disruptions is the physical availability of necessary gas amounts to deliver required volumes to end users.

Question 15: As an alternative to mandatory reserves, how could market based instruments ensure adequate minimum reserves?

In principle, the value that storages have for assuring the security of supply should be assessed by the market where storages compete with other supply sources in case of supply disruption or cold spell events. This however requires, among others, full implementation of the Third Energy Package and gas network codes in order to create a liquid and well-interconnected wholesale gas market in the whole EU.

Poland is among the countries where storage obligation applies to suppliers. Gas storages in Poland primarily are used for two main purposes, i.e. storing mandatory reserves which are mainly a consequence of historical dependence of a single supplier and for maintaining seasonal storage which is required due to a high seasonality of gas consumption during the year. Additionally, storages are used by GAZ-SYSTEM for the purpose of balancing the transmission system. The latter function of storage capacities becomes more and more vital due to traded-market development in Poland (gas release programme and gas exchange-based trading).

Mandatory stocks of natural gas contribute to the energy security of Poland, enabling satisfying demand in emergency situations. However, given the ongoing concern of strengthening the EU energy security, as well as ongoing liberalisation of the Polish gas market together with the increasing interconnectivity and diversification, discussion on alternative or complementing mechanisms shall be held on energy policy agenda.

One of the tools is the gas market integration which should allow for cross-border utilisation of storage facilities. Connection of the national markets will enable to use these facilities within a common market area.

Furthermore, storages are used by the TSOs for the current balancing of the transmission system. It should be noted that despite rather low volume of TSO's stocks, they are critical for the safe operation of the gas system and delivery of gas to end consumers, also in case of disruption. Therefore, another alternative for consideration, especially when the geological conditions are favourable in a certain country, is the construction of a storage facility by the TSO. The integration of the transmission service and storage service, and as a result operating also as the SSO, gives the TSO bigger flexibility in balancing the gas system.

STORAGE INFRASTRUCTURE

Question 16: Do you have any analysis or view on what an optimal level/share of storage in a Member State or region would be? What kind of initiatives, if any, do you consider necessary in terms of infrastructure development in relation to storage?

In view of GAZ-SYSTEM the level of storage is strongly connected with the regional conditions, especially with the possible peak demand occurring at the end of the winter season (when the storages are likely to be depleted and it is not possible to supply at the maximum technical capacity).

It should be also taken into account that Poland, and in general CEE region, lack adequate storage capacities compared with mature markets. The investments in new storage facilities should be analysed. New storage will

positively influence the level of security of supply and will be an important support to the market development – facilitating the hub-based gas trading and formation of regional, liquid marketplaces in the countries traditionally dominated by long-term supply structures.

As underground gas storage infrastructure characterises with a high CAPEX and long term depreciation period, such investment should be carefully assessed and where possible regional solutions via alternative possibilities (both contractual and infrastructure development – i.e. technical reverse gas flows) may be implemented.

Question 17: Do you think, in addition to the existing TEN-E Regulation, any further EU action is needed in this regard?

As already mentioned in response to question 3, GAZ-SYSTEM is of the option that the TEN-E Regulation is crucial regulatory element to develop necessary infrastructure which once implemented will increase the security and diversification of supply in the EU.

Apart from market integration, the Regulation should contribute to accelerating the development of necessary cross-border interconnections, which in turn will enable Member States to gain access both to LNG, if the Member State does not have direct access to LNG facility, as well as to UGS capacities, if the access to storage capacity is limited on national level due to different reasons.

Thus, GAZ-SYSTEM does not see the need for further EU action at this stage.

Question 18: Given uncertainties over future gas demand, how would you assess the risk of stranded assets (and hence unnecessary costs), lock-in effects, the risk of diverting investments from low carbon technologies such as renewables, delaying a transition in energy systems and how would you and weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?

As pointed in answer to Question 4, gas demand reduction may be a result of energy efficiency increase and low carbon alternatives deployment. It should be noted that natural gas is already an existing alternative to lower the emissions from transport and energy sector and due to predicted significant growth of electricity demand, gas demand should not be reduced. Moreover, natural gas plays an important role in balancing the intermittent energy supplies from RES and provides essential flexibility to the energy system with its potential to store energy in linepack and UGS.

When it comes to the risk of stranded assets, the goal should be to optimize the utilisation of storage infrastructure in order to achieve adequate level of filling of the UGS in the winter period.

REGULATORY FRAMEWORK AND POTENTIAL BARRIERS FOR STORAGE

Question 19: What do you think are the most critical regulatory barriers to the optimal use of storage in a regional setting?

From regulatory perspective, strengthening regional cooperation is an indispensable element to secure EU energy supplies, in principle there should be no geographical restrictions for storing gas across borders.

In Poland where gas store obligation applies, suppliers are allowed to fulfil the storage obligation either at the territory of Poland or also at the territory of other Member States or on of the countries being an EFTA member.

Having in mind the future development of cross-border interconnections between the EU and non-EU countries, especially the Energy Community countries, regulation could in certain circumstances allow in the future for fulfilling supply standard or where applicable maintaining mandatory reserves of gas also in third countries which are connected to the gas systems of the Member States of the EU.

Question 20: Do you think ongoing initiatives and existing legislation can tackle the remaining outstanding issues or is there more the EU could do? Do initiatives need to include additional issues further to the ones described here?

GAZ-SYSTEM believes that before launching new regulatory initiatives, it is first important to fully implement the existing EU regulations i.e. the Third Energy Package, TEN-E regulation and Network Codes for gas.

For example, implementation of Gas Balancing Network Code should improve the market-based short-term balancing of the of transmission system. With the new rules network users who are responsible for balancing their balancing portfolios, are incentivised to balance their inputs against their off-takes. This as consequence influences also the security of supply, since when the network system is balanced there is also sufficient gas to ensure customers' needs.

Having in mind the ongoing works on the revision of the Regulation 994/2010 on security of supply, we believe it is better to revise and amend where necessary already existing rules. In this process due consideration should be taken to experience gathered so far from implementation of the SoS Regulation and its impact on the EU security of supply.

On top of that, GAZ-SYSTEM is of the opinion that the EC initiative aimed at developing a strategy for LNG and UGS is an important one. However, we believe that individual components of the gas infrastructure (i.e. LNG, UGS, transmission) should not be addressed in isolation. Each component of gas infrastructure plays its role to ensure that the whole gas system is operated efficiently and safely. Therefore, GAZ-SYSTEM would like to suggest developing a more holistic strategy covering natural gas infrastructure as a whole. Such an approach would guarantee that synergy effect is dully taken into account. Additionally, this would ensure that the benefits offered by natural gas/LNG/UGS from the perspective of the EU energy policy are also properly reflected. This approach may be well reflected in the Energy Union strategy.

Question 21: Do you consider EU-level rules necessary to define specific tariff regimes for storage only or should such assessment be made rather on a national level in view of available measures able to meet the objective of secure gas supply?

Specific tariff regimes for storage are required in order to reflect benefits that storages bring to the security of the gas market and flexibility of the gas system. This approach is currently applicable in Polish tariff regime where entry-exit points to/from gas storages point are subject of a discount.

At the EU level, draft TAR NC as submitted by ENTSOG to ACER on 31 July 2015, will allow NRA to apply non-standard approach to setting tariffs for UGS connection points. GAZ-SYSTEM agrees with such approach. Thus, unless setting specific transmission tariffs for underground gas storages are allowed in the TAR NC, further specific EU regulation only for storages shall not be considered. As a recapitulation of response to question 3, GAZ-SYSTEM believes that in the TAR NC the same exemption should be applicable to LNG terminal points as for the UGS points.