



The role of NET4GAS in the European Natural Gas Transmission System

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Agenda

1. About NET4GAS
2. NET4GAS Development Projects
3. Products to support cross border transport
4. Requirements for further market harmonisation
5. Conclusion



A track record of “CHANGE”

BUSINESS NAME	CHANGE	LOGO
Transit gas pipeline, national enterprise	1971 signature of inter-governmental agreement on gas transmission	
Transit gas pipeline, subcompany	1977 change from trust to arrangement with a group of companies	
Transgas, branch enterprise	1989 formation of state enterprise ČPP	
ČPP, Transgas branch enterprise	1994 spin-off of distribution companies within the framework of the first stage of privatization, incorporation of underground gas storages	
Transgas, state enterprise	1998 preparation for the second stage of privatization	
Transgas, share corporation	2001 spin-off of residual enterprise ČPP Transgas, s. p.	
RWE Transgas Net, s.r.o.	2006 legal unbundling of TSO from gas trading activities	
NET4GAS, s.r.o.	2010 rebranding and total unbundling including common services	

The transit system

- High pressure pipelines PN 61 - 84 bar
- 5 compressor stations with total installed output of 297 MW.
- Entry and exit points at four border transfer stations (from 10/2011 also to Poland)



National transmission system

- High pressure pipelines PN 40 – 63 bar
- Supplies to 86 national transfer stations for 8 distribution companies

Technical Data

Transit network	2 455 km
National transm. network	1 187 km
5 compression stations	297 MW

4 Transit points:

- in CZ - Lanžhot, Hora Sv. Kateřiny
- in GER – Waidhaus, Olbernhau



€ 20 mio investment in SoS for Central Europe and V4 countries with ~ € 9 mio support from EU

EEPR-2009-INTg-RF-CZ-01

- Reverse flow in direction West-East (6 investments)
 - Budget: €7.35 mio.; approved EU financial aid: €3.7 mio.

EEPR-2009-INTg-RF-CZ-PL

- Interconnection to Poland - Stork
- Budget: €7.00 mio. ; approved EU financial aid: € 3 mio.

EEPR-2009-INTg-RF-CZ-02

- Connection to UGS Tvrdonice
 - Budget: €5.2 mio.; approved EU financial aid: €2.3 mio.

▪

Boosting the West-East Reverse Flow

Total investment € 7.35 mio

- Extension of Hora Sv. Kateřiny BTS capacity
- Reconstruction of RN Hospozín
- Reconstruction of CS Kralice nad Oslavou
- Reconstruction of RN Malešovice
- Reconstruction of pipeline system in 1st hall at CS Břeclav for the purpose transit from the Czech Republic to Slovakia.
- Reconstruction of BTS Lanžhot for the purpose of west-east transit
- Commissioning 10/2010 - 10/2011
- Planned costs: 7.35 mil. €



The „Turn Table“ for Gas in Central Europe supports east west and north south corridor



Underground Gas Storages Increase Reliability and Security of Supplies

Overview of Underground Gas Storages

Gas storages of RWE GS

– capacity: 2.5 bcm

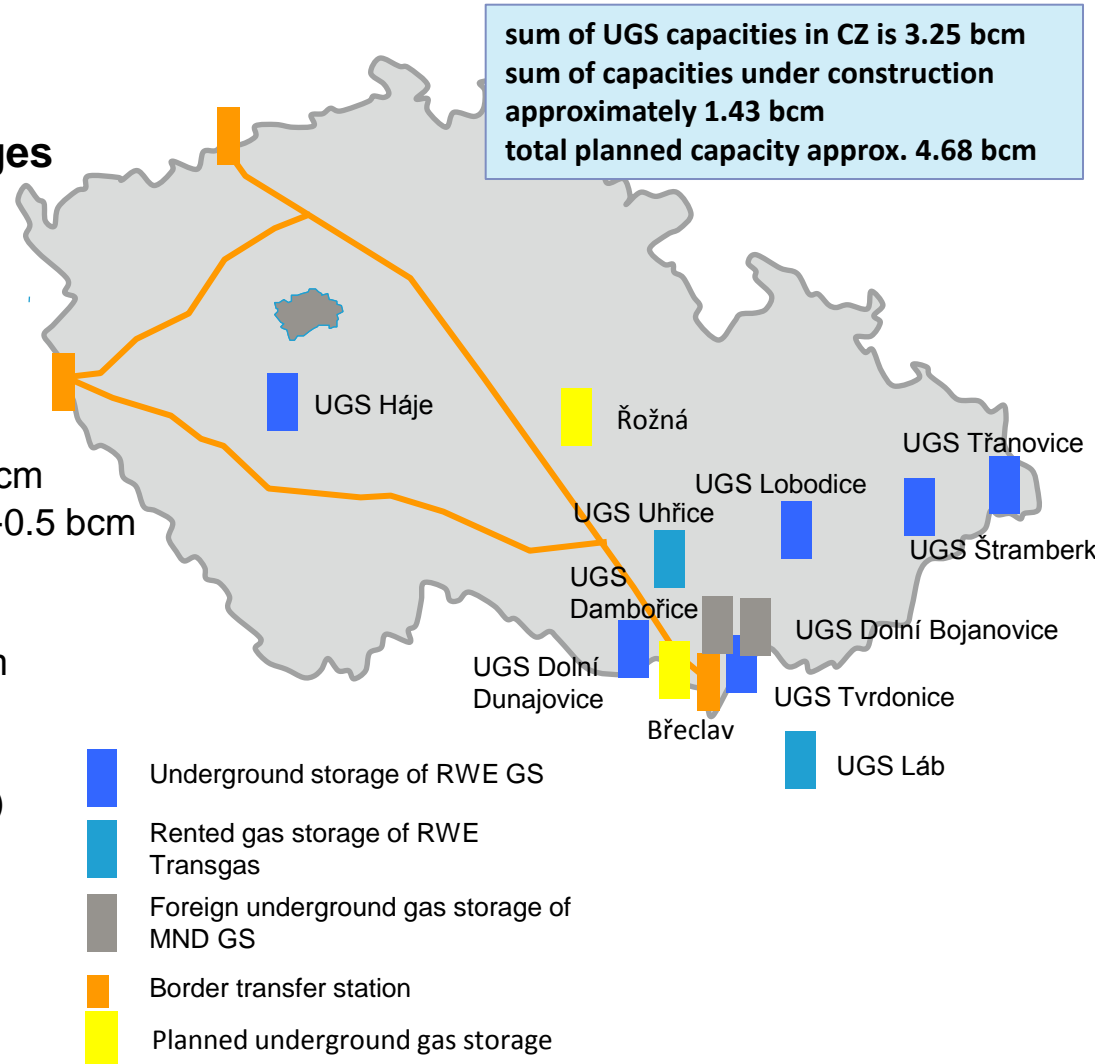
Other storages in CZ

- Dolní Bojanovice (MND): capacity of 0.57 bcm
- Dambořice (MND): under construction 0.4 -0.5 bcm

Planned gas storages in CZ:

- Rožná cavern storage: capacity of 0.18 bcm
 - Investor (Česká plynárenská)
- Břeclav: capacity of 0.1 – 0.3 bcm
 - Investor (Česká naftařská společnost)

* at 15°C



A successful market survey requires open season for the „LBL“ - Lanžhot – Baumgarten-Line

Project Goal

Enhance security of supply by offering more flexibility in transportation services available and by offering additional downstream transportation possibilities for planned pipeline projects diversifying the existing pipeline routes

Project Description

New gas line estimated DN 800 PN 7,35 MPa in section Lanžhot - Baumgarten:

The length of the planned pipeline is approximately 60 km (46 km on Austrian and 14 km on Czech territory) and is planned to cross the border nearby the village Reintal.

Requested capacity (in Market survey in 2010):

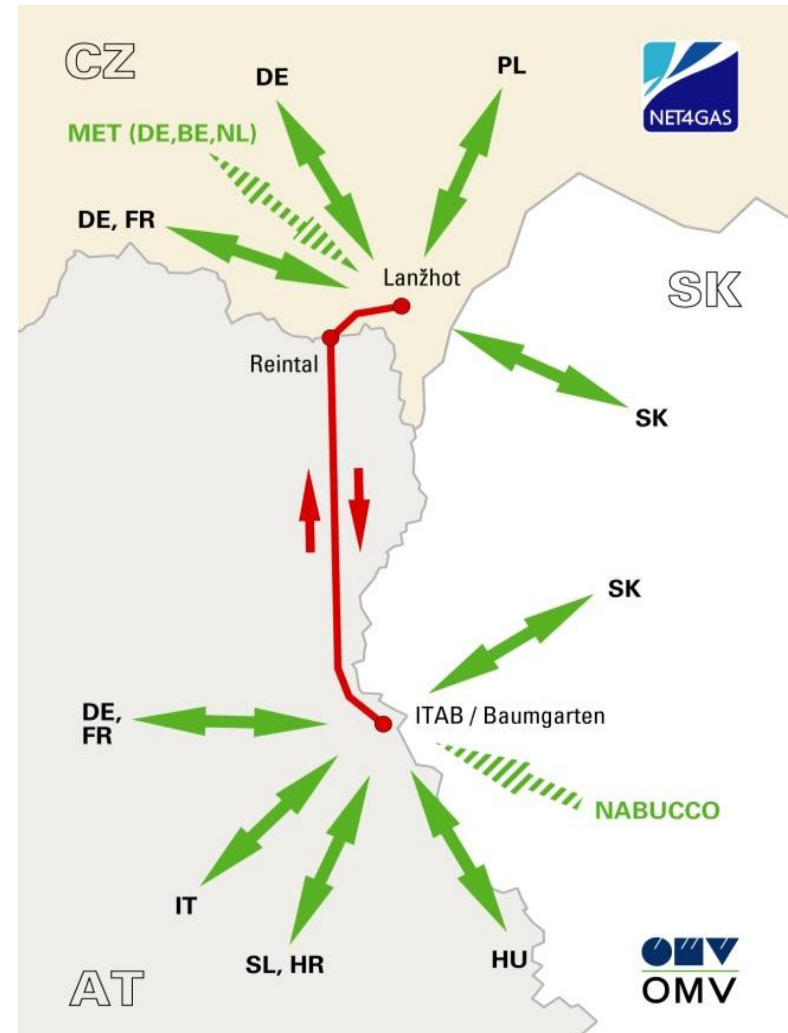
To Austria: 22,9 mcm/d
To the Czech Republic: 18,6 mcm/d

Project status:

Routing and feasibility study completed
Preliminary results of market survey are promising

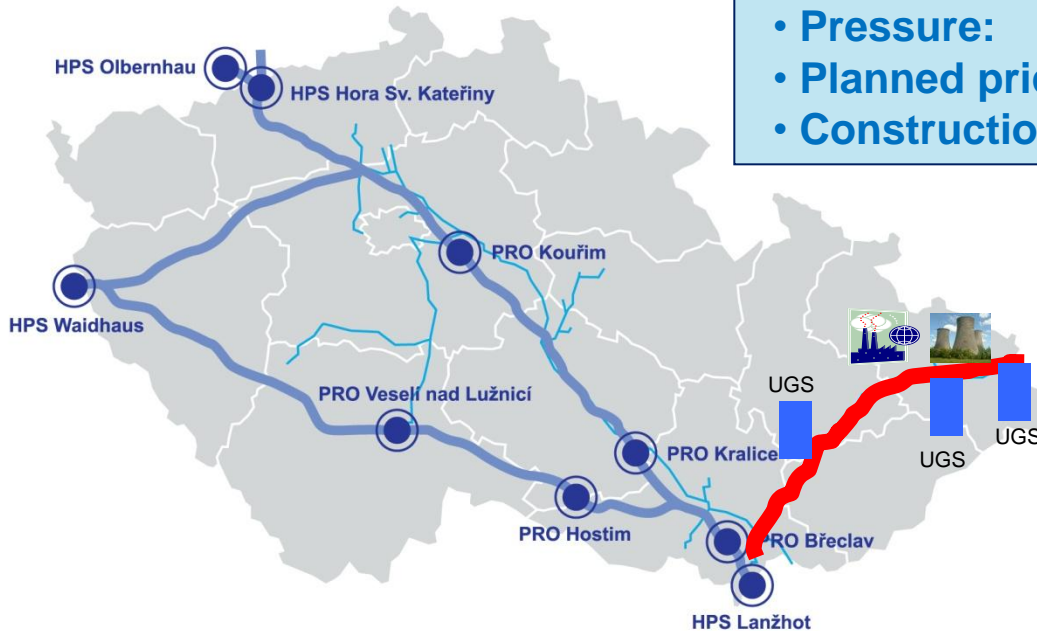
Further steps:

Open Season in 2011



MORAVIA Project can become an essential part in the north-south corridor

Přepavní soustava NET4GAS



- **Total length:** approx. 210 km
- **Dimension:** DN 900 – DN 1200
- **Pressure:** 73.5 bar
- **Planned price:** 215 mil. EUR (DN900)
- **Construction** 2016 – 2017

MORAVIA Project

- **Route study: completed**
- **EIA: in progress**
- **Open Season: 2015**

- North-south connection provides Poland access to Baumgarten and Nabucco and abundant storage capacity in the Moravian and Austrian region
- Direct interconnection of the transmission system with UGS and increase of daily production/injection capacity;
- New power plant project due to fuel switch from coal necessary





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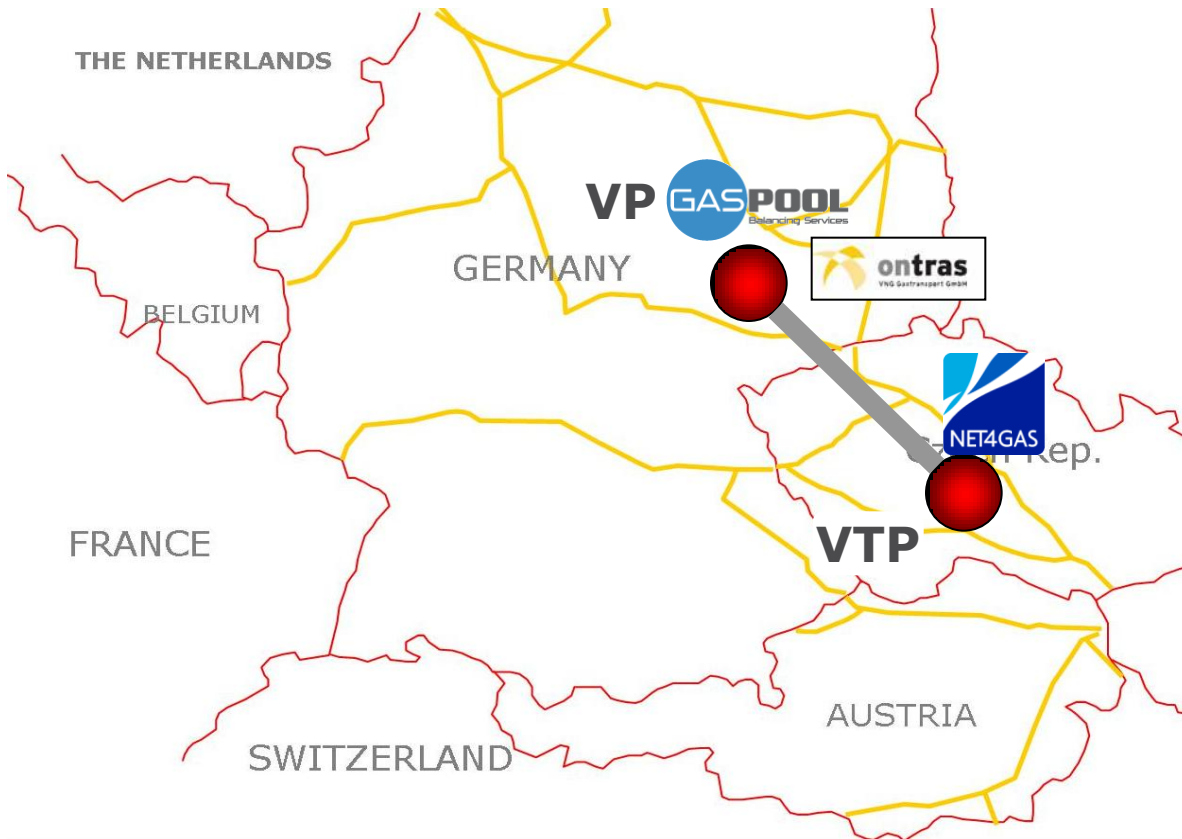


Driver for cross border gas trading

- ❖ **Current regulations request intensified cooperation between adjacent TSOs concerning allocation of cross border capacities, inter alia:**
 - ❖ **Gas Transmission Directive 715/2009**
 - ❖ **Framework Guidelines "Capacity Allocation Mechanism" and „Gas Balancing Rules"**
 - ❖ **New German Gas Network access ordinance (GasNZV from 3.9.2010)**
 - ❖ **German "Festlegungsverfahren" for a Standard Capacity Contract**
- ❖ **ONTRAS and NET4GAS therefore intend to further simplify cross border gas transports by enhancing their cooperation aiming to meet traders needs**
- ❖ **In facilitating closer cross border cooperation the TSOs are still bound to existing national legal frameworks**
- ❖ **In developing a cooperation model working across different frameworks ONTRAS and NET4GAS aim to create a role model for Europe**



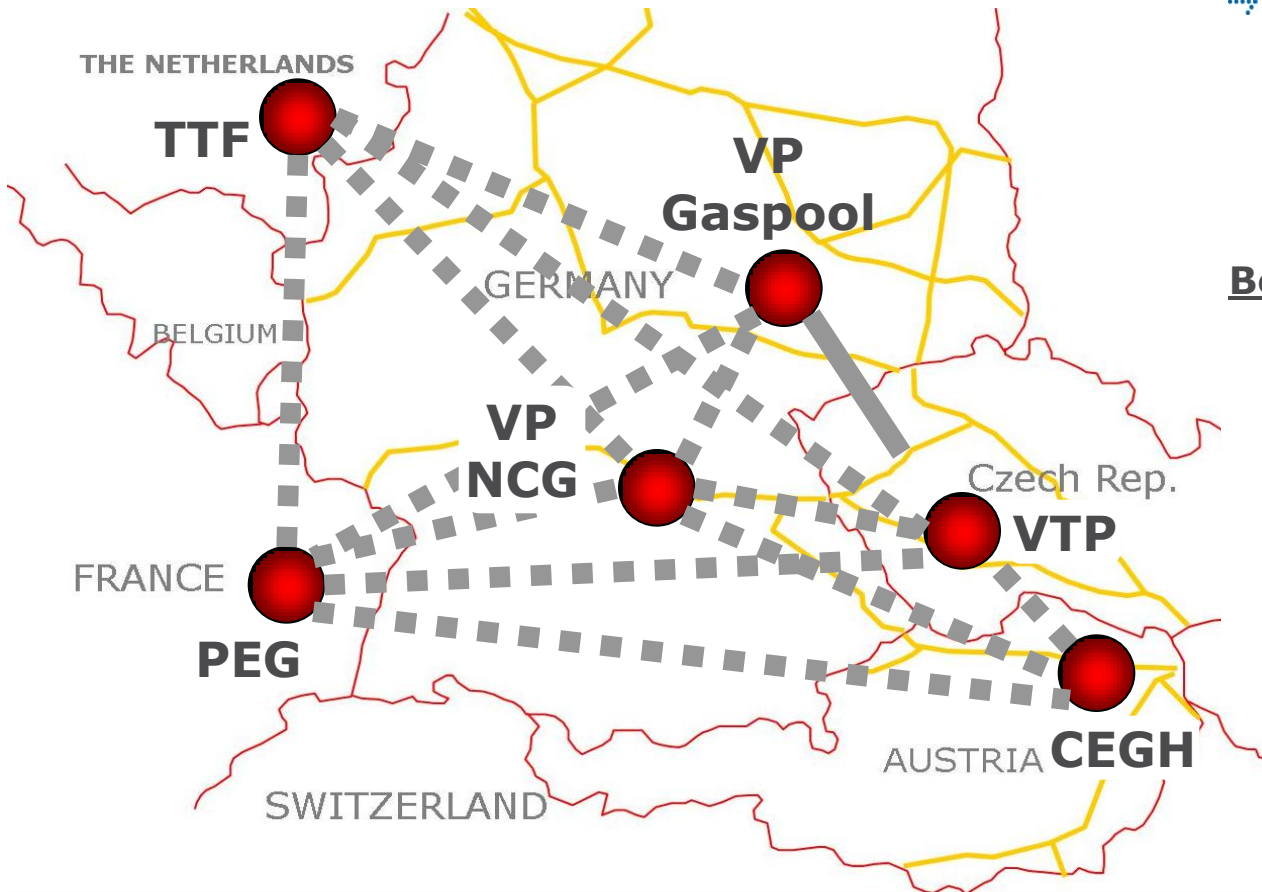
Cross border VP2VP product



- ❖ Direct connection between respective VPs
- ❖ Bundled products with one single contract (similar “train tickets”)
- ❖ Bookable with each participating TSO on FCFS-principle
- ❖ First product:
 - ❖ Firm daily capacity
 - ❖ Bookable one to more day(s) ahead*
- ❖ Bookable from [01.11.2010]
- ❖ No renomination

* More days ahead will be used to allow bookings over the weekend and holidays and to align capacity booking periods with trading times on the EEX Gas Spot Market

GATRAC a Role Model for Europe



❖ Demand for easier cross border gas transports can be met rather quickly by expansion of the GATRAC cooperation

Benefits:

- ❖ No need to amend legal framework if national legal rules are not mandatory for cross border capacities
- ❖ Similar procedures and contracts for all routes

— current scope of cooperation
 - - - possible future routes



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Main obstacles for gas pipelines investments to be addressed in the Czech Republic and V4

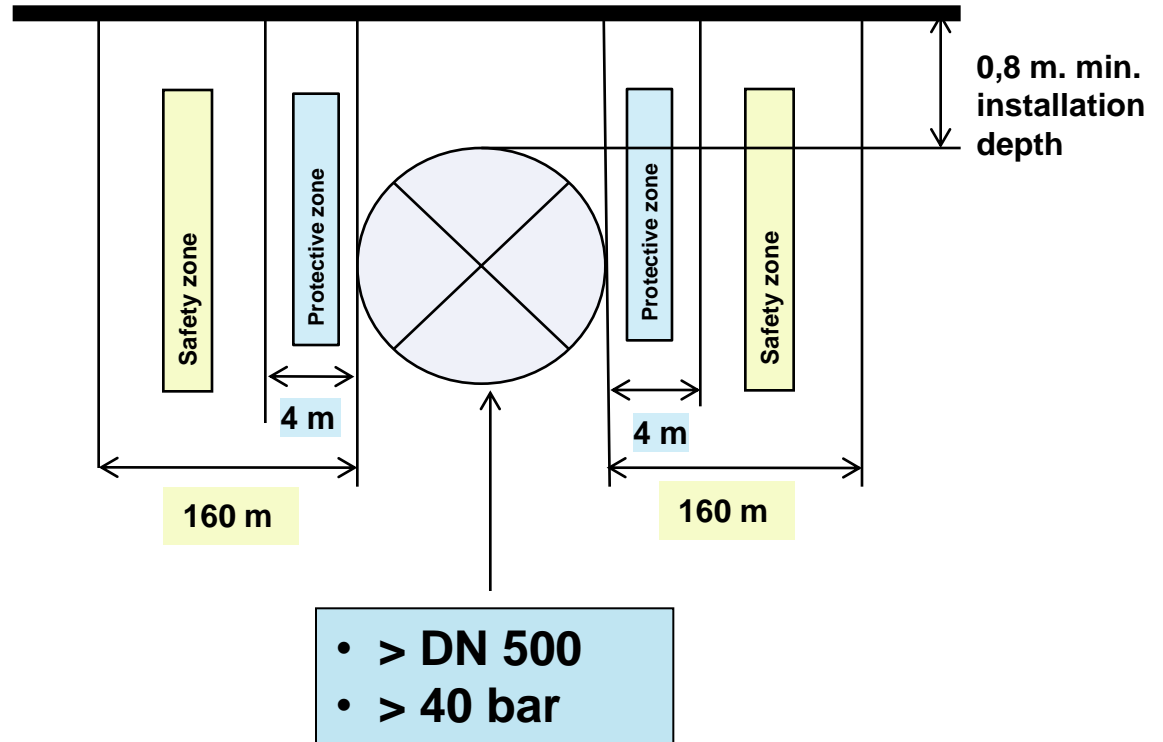
- complicated easements rights and large number of land owners (e.g. Hodonin 283 owners on 2,8km)
- Building permit not before all easements and land plots are settled
- Large safety zones along gas pipelines (160 m on both sides of the HP gas pipeline in the Czech Republic and only 10 m in Germany)
- Long process of EIA (Environmental Impact Assessment)

Protective and Safety Zones in CR

Czech Republic

Energy Act No. 458/2000,
after amendment No. 158/1999
defines in :

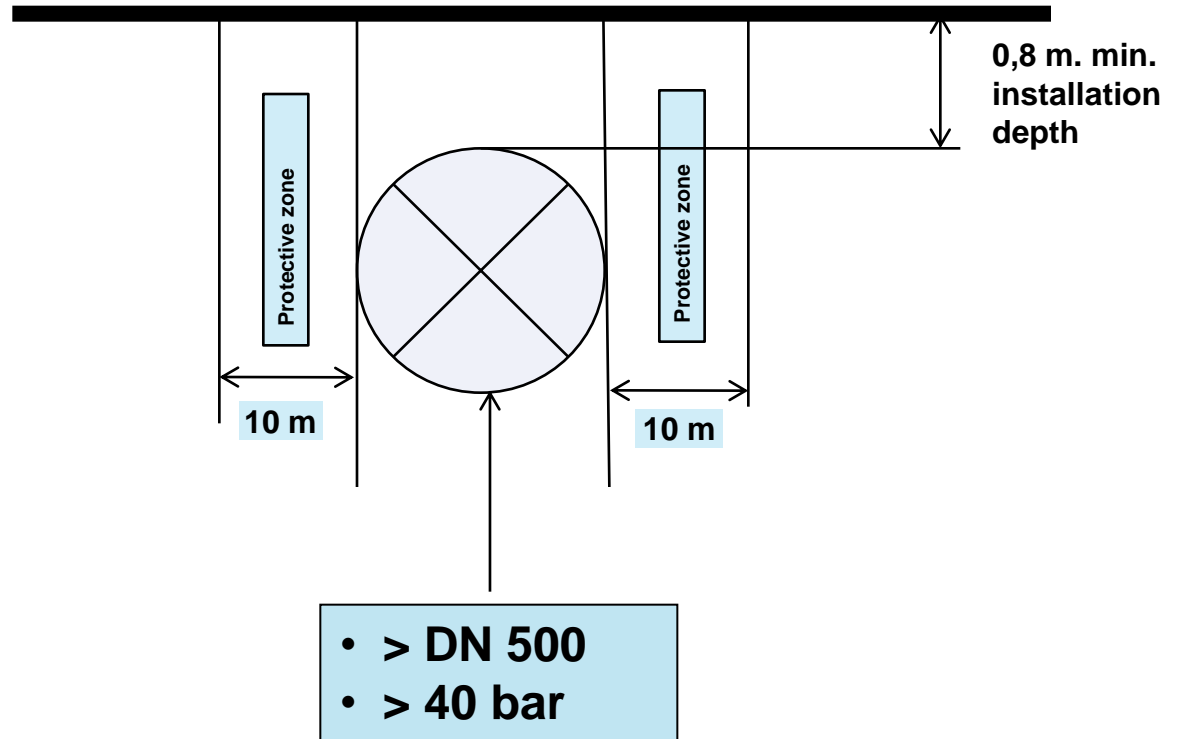
- Sect. 68 protective zones
- Sect. 69 safety zones



Protective and Safety Zones in Germany

Germany

- The german law does not specify any safety zones for gas equipment
- It only defines protective zones of 10 meters to each side perpendicular to the edge of the gas equipment.





Preferential rights for Transport vs Energy Infrastructure projects in CR

Transport infrastructure construction

- When applying for the building permit, the builder does not have to prove authorization of easement rights with land owners. The building authority starts the building proceedings even without these authorizations and decides about the building permit after such authorizations are submitted
- The terms for filing petitions at courts with regard to review of administrative decisions issued within the framework of zoning and building proceedings have been shortened to half of normal terms. At the same time, the courts decide within 90 days about such petitions
- In the event of a petition against decision of the expropriation authority, such petition does not have automatic suspensory effect; this means that the construction can be executed during the court proceedings.

Energy infrastructure construction

- Authorization of all easement rights must be presented already at the time of application for building permit ; the building authority does not start the proceedings without such authorizations from all land owners
- The expropriation process is governed by standard procedure
- Filing of petitions at courts with regard to review of administrative decisions issued within the framework of zoning and building proceedings are governed by standard terms
- In the event of a petition against decision of the expropriation authority, the suspensory effect can not be foreclosed. This means that the construction may be executed after the end of the court proceedings.



Conclusion

- ❑ The 3rd package set the scene for a stronger SoS and stronger cooperation of TSO's
- ❑ TSO's like NET4GAS are willing to invest and develop the markets if the investment climate is predictable and strategic and not erratic like in previous years
- ❑ Smaller initiatives by companies or countries like V4 are important to drive processes rather than waiting for EU 27 to agree on everything – however a common vision of the target model for gas markets is needed – political efforts towards a carbon free energy supplies will harm strategic investments
- ❑ The latest announcements of Mr. Öttinger are highly appreciated, however the commission and the member states now need to act in a stringent and consistent manner
- ❑ V4 is a good platform of countries with a similar history and issues to develop the relatively young legal system - in particular the building and energy law and improve and accelerate the investments in infrastructure (good reference is East Germany)
- ❑ The huge investments need to be financed on the basis of the beneficiary gas user/customer