

Issues and Topics in Natural Gas Storage

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1.0. Legislation and regulatory framework

**Directive 2003/55 EC
Energy Law, 2004.
Licencing Code**

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2.0. Licensing procedures

- According to the Energy Law, the Ministry of Mining and Energy issues the License Code (defining the procedures and conditions for issuance, suspension, and revocation of licenses)
- The Agency issues licenses for :
 - Storing of natural gas
 - Natural gas storage operation
- The license is issued for the period of 10 years.

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3.0. Storage facilities: storage system operations and services

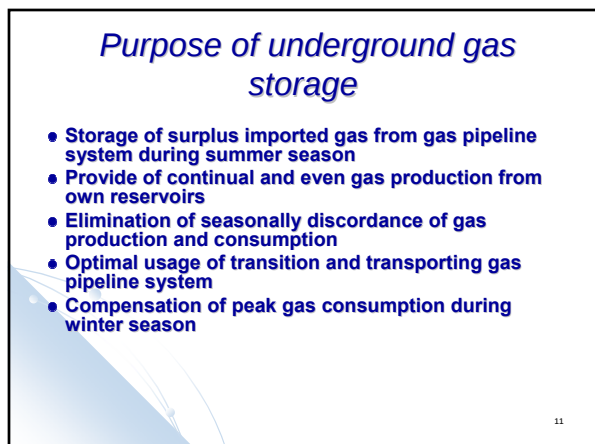
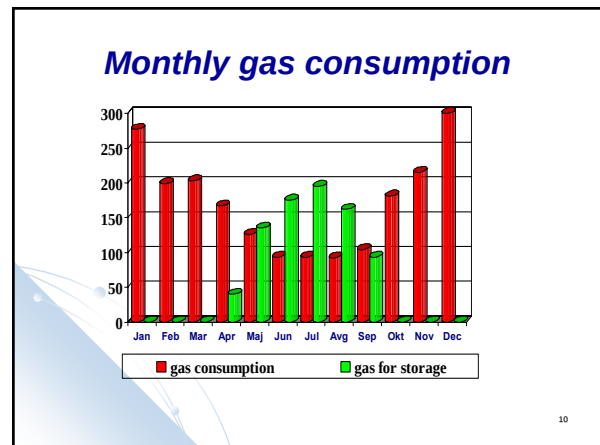
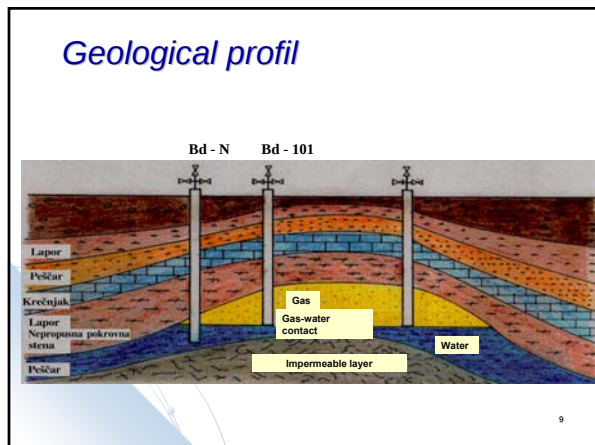
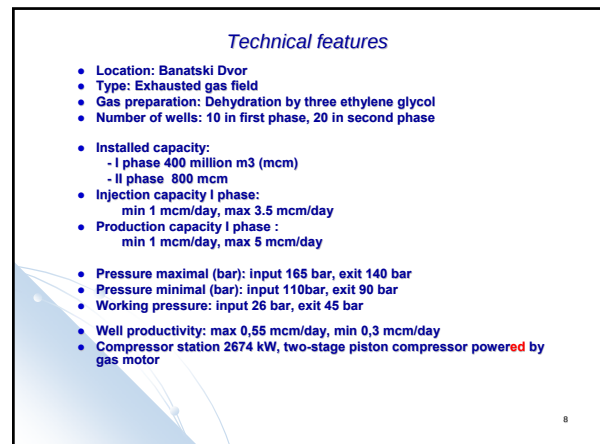
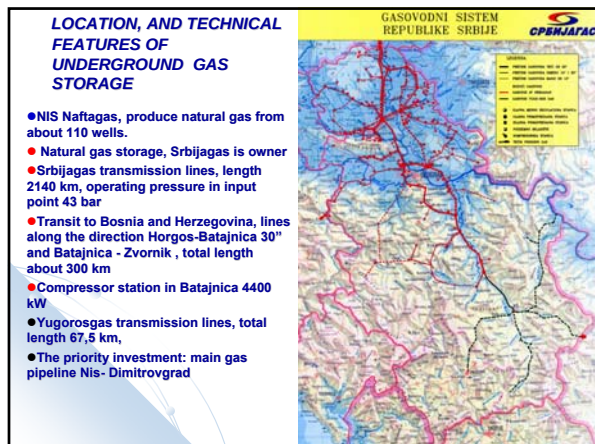
- Until now, Srbija didn't have any gas storage. Underground gas storage Banatski Dvor is under preparation.
- The most important capital investment in gas infrastructure is the preparation of underground gas storage and connection with the gas pipeline system in the region.
- The technical infrastructure is already built and functional trials have already been performed. In 2007 it was injected 14 mcm, during the 2008 Srbijagas plan to inject about 130 mcm and withdrawal 20-30 mcm in the heating season 2008/2009.
- Probably, this winter storage will be used only for the covering part of peak demand.

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BASIC PARAMETERS FOR UNDERGROUND GAS STORAGE CONSTRUCTION

- Gas consumption in 2007 was 2.353 million m³ (mcm)
- Estimated gas consumption until 2010, 3.1 billion m³
- Domestic gas production in 2007. was 186 million m³
- Dominant import of Russian gas 2.132 mcm, 35 mcm from Hungary
- Uneven gas consumption dynamics
- Even gas importation dynamics "Ship or pay" obligation for transit to Hungary.
- Required gas storage for 25-30% annual consumption
- Regular operation of storage requires injecting a part of cushion gas (cca 300 million m³)

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- **Production line: Existing collecting gas station to be of use like production gas line for capacity gas at 0.5-1 million m³/day.**



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Storage system services

- Publishing nominal and free capacity of the storage facility
- Receiving orders for capacity
- Capacity allocation
- Capacity sales (entering into agreement)
- Releasing and reselling unused storage capacities
- Releasing and receiving nominalization
- Receiving natural gas at receiver stations
- Receiving natural gas at transferring natural gas at transfer stations
- Safeguarding natural gas provided by system users
- Controlling storage turnover
- Preparing balance sheet
- Accounting
- Operating 24 – hour dispatcher services
- Operating customer services

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Supplementary services rendered by the storage

- Option for using interruptible capacities

OTHER ACTIVITIES PERFORMED BY THE STORAGE

- Determining storage capacities
- Business administration of storage capacities
- Operating storage facilities
- Assets management
- Maintaining storage facilities
- Assistance in balancing

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4.0. Storage operators: function, obligations, rights

• *The role of underground natural gas storage facilities is essential in meeting such peak demand during winter period and in establishing and maintaining reasonable supply security.*

• *An energy entity performing the activity of natural gas storing :*

- 1) *is obliged to provide conditions for secure storing, functioning and maintenance of natural gas storage*
- 2) *is obliged to determine schedule for construction of new and rehabilitation of existing capacities for natural gas storing*
- 3) *is liable for the implementations of the development plan beforehand referred.*

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The activities of natural gas storage operations

The natural gas storage operator is liable for:

- pressure and quantity control in both working cycles,
- operating the natural gas storage,
- coordination of field operation with the transportation system operator,
- monitoring and ensuring for functional availability of surface and underground parts of the storage,
- passing the operation code and rules on third party access to the storage capacities.

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5.0. Storage access: Regulated, negotiated

- The Storage shall always observe Gas Directive 2003/55/EC issued by the European Union, provisions of ANGTS and related decrees, as well as those set forth in EU Guidelines concerning the access to storage facilities (Guidelines for Good TPA Practice for Storage System Operators).
- Regulations providing transparent access without discrimination to the storage facilities for each user
- Equal treatment should be provided to the customers, except for cases, when the Storage acts differently due to objective and justifiable reasons. The reason should be documented in order to be able to examine it later.

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6. Conclusion

- AERS responsibility in gas storage area are: Issuing license and monitoring of compliance with license requirements (storage is in licensing phase),
- Approval of Operating Code for natural gas storage,
- Determining methodology and tariff system for setting use of storage charge (approved by Government) (AERS prepare draft of methodology and tariff system).
- But...The negotiation between Russian and our Government about partnership in gas sector is in progress and perhaps storage will not be under regulation.

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ENERGY AGENCY OF THE REPUBLIC OF SERBIA

Thank you for your attention!

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