

Reform of the Natural Gas Market Act - Rules for Changing Gas Markets

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Outline of the Presentation

- Background for appointing the working group
- The working group's goals and tasks
- Core issues
- Background research
- Timetable and follow-up

Background for Appointing the Working Group (1/3)

- Third Energy Package implemented on 1 September 2013
 - No changes to exemptions for isolated markets
 - Recognized need to re-examine the Finnish Natural Gas Markets Act (entered into force in August 2000)
- Developments in natural gas infrastructure:
 - European Council in February 2011: After 2015, no member state should be isolated from the European Gas Network, Energy union conclusions published in November 2014 regarding the Finnish natural gas project plans
 - EU regulation on energy infrastructure and CEF financing in 2013
 - Cabinet Committee on EU-affairs in economy policy in June 2012: FI and EE will apply for Balticconnector and an LNG-terminal on the Gulf of Finland to be included in the PCI list for CEF financing
 - Commission in October 2013: Balticconnector and three options for an LNG-terminal on the PCI list

Background for Appointing the Working Group (2/3)

- Developments in natural gas infrastructure (cont.):
 - Commission in summer 2014: Balticconnector is eligible for EU financing, the two LNG terminal solution is not
 - New proposal made for Commission in February 2015 – Balticconnector and LNG operations on both sides of the gulf
 - Balticconnector included in the new PCI list in November 2015

Background for Appointing the Working Group (3/3)

- National LNG-terminal projects (off grid)
 - Manga LNG Oy in Tornio, Skangass Oy in Pori , Oy Aga Ab in Rauma (on hold) and Haminan Energia in Hamina
- Diversifying the procurement of natural gas
 - Opening a closed market for competition, weak competitiveness of pipeline gas, security of supply

The Working Group's Goals and Task (1/2)

- Goals
 - Prepare the reform of the Natural Gas Markets Act and the opening of the wholesale and consumer gas markets for competition, if Finland ceases to use exemptions or the structure of the market changes
 - Create prerequisites for essential infrastructure investments
 - Part of the structural reform policy of the former Katainen Cabinet
- Task: prepare a proposal that includes
 - The prerequisites for ceasing to use the exemptions and the legislative measures to implement the change
 - Connecting the natural gas transmission and distribution networks to the European Gas Network
 - Access to LNG-terminals
 - Unbundling the natural gas transmission network

The Working Group's Goals and Task (2/2)

- Evaluate and, if necessary, prepare proposal:
 - The need for regulating natural gas consumer agreements
 - The need for additional regulation of LNG-terminals outside the natural gas network (off grid)
 - The possibility of easing regulation on small companies distributing and selling natural gas
- Hear experts and make use of background research done by the Ministry of Employment and the Economy
- The proposal is to be prepared in the form of a government bill

Core Issues

- Unbundling of the transmission network operations
 - Three alternatives: TSO, ISO and ITO
 - Certification process
- Opening natural gas wholesale and retail markets to competition
 - Access to the network in natural gas transmission and distribution networks
 - Customers that meet the conditions for access = "all customers"
 - EU regulation on access to the natural gas transmission networks and network rules become applicable in Finnish natural gas networks
 - Attention mainly on wholesale markets
- Access to LNG-terminals
 - Possible need to change existing regulation
 - The need to regulate access to off grid –terminals

Background Research

- The Ministry of Employment and the Economy ordered a report from Pöyry in October 2014; objective was to find out the market design for natural gas wholesale markets and the need for regulation in the situation that Finland and the Baltic states will form a common market area; findings presented in January 2015
- Clarifying issues:
 - > EU target model for natural gas wholesale markets
 - > Other countries experiences with opening markets (IRL, SWE, Baltic states)
 - > Market place(s) required by the wholesale markets: Target model's entry/exit zones and hub structure, derivative market places
 - > Natural gas wholesale markets' submarkets, including balancing market
 - > LNG-terminal operating models
 - > Capacity allocation and congestion management
 - > Structure of transmission tariffs (entry/exit tariffs)
 - > Transmission network interoperability requirements
 - > Choices for national regulatory models and the need for national regulation/legislation (core regulation comes from the EU)

Timetable and Follow-up

- Deadline for the working group December 2015
- Cabinets proposal to the Parliament during spring of 2016
- Transition period at least a few years
 - Ceasing to utilize the exemptions
 - Access to the network in transmission and distribution networks
 - Unbundling of transmission system operator
 - Other changes that require a transition period

Thank you!

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