



## **Hungary to change its Natural Gas Supply Act to accommodate EU-wide gas transmission system codes**

Ever since the first recent Russia-Ukraine gas pricing dispute in 2006 where transit supplies were threatened to be cut off, Eastern Member States of **the European Union have been keen on fortifying their gas supply**. An answer from the European Union was a change in policy aimed at **growing the interconnectivity of natural gas transmission systems** between Member States, such policy being emphasized even more since Jean-Claude Juncker took office as the President of the European Commission. The EU has introduced additional legislation in the form of directly applicable Regulations.

The European Commission's Regulations about balancing natural gas systems between transmission system operators (312/2014/EU) and the adoption of capacity allocation mechanisms (984/2013/EU) require changes to the Hungarian national laws, which the Hungarian Parliament has just adopted in Act V of 2015.

One of the changes is that the **gas year**, which currently begins on 1 July of each year, **will be pushed to start on 1 October** of each year beginning 1 October 2015. Yearly capacities booked by 11 May 2015 will be automatically prolonged to cover the period between 1 July and 30 September. **New capacity booking terms will be introduced**: in addition to yearly, monthly and daily capacities, quarterly and intra-day capacities will become available. In order to help system users maintain their commercial balance in terms of their gas delivery nominations, all injection and withdrawal points will be available for intra-day re-nomination of gas volumes.

**The measurement unit will be kWh** replacing heat volume in the high pressure transmission system and at gas storage facilities making it easier to trade on Western facing connection points as this will align the Hungarian transmission system to the Western gas markets where kWh has long been used as the unit of measurement. Heat based measurement will continue to be applied domestically at the distribution network level.

**On the international level, the capacity booking periods will be different from domestic capacity booking deadlines.** Yearly cross-border capacities and storage capacities can be booked on the first Monday of March each year, while year-long capacities on domestic injection and withdrawal points of the transmission system can be booked on the first Monday of August each year leaving an additional period of approximately 5 months to adjust domestic transmission capacity bookings to the results of the cross-border capacity allocations and storage capacities, which was not available previously.

Another change that may have considerable cost implications is that **certain consumption meters will have to be upgraded** to be suitable for being read remotely by 1 January 2017. The concerned meters will be those used by consumers not eligible for universal service with metering equipment having a capacity above 20 m<sup>3</sup>/hour.

In conclusion, the above changes together with the relevant EU regulations will **likely entail the adjustment of virtually all supply and system usage contract** throughout the natural gas industry including those with large industrial consumers connected directly to the transmission grid. The change in **deadlines will require careful planning** by system users and operators alike and **may cause inconsistencies in capacity booking practices**. While the changes will likely **foster trades between markets of different Members States**, it remains to be seen whether long-term capacities reserved for certain market players will continue to effectively block trades on these cross-border sections. Moreover, it will be interesting to see if gas markets will move towards the market coupling mechanisms already being tested in Central Eastern European electricity markets, or a different way of enhancing cross-border trades will emerge for natural gas.

### **ABOUT THE AUTHOR**



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