

Based on Article 55, paragraph 2, and Article 39, paragraph 1 of the Energy Law ("Official Gazette of RS", No. 145/14, 95/18- other Law, 40/21, 35/23- other Law, 62/23 and 94/24), Article 45, paragraph 4 of the Decree on Network Code for Balancing of Natural Gas Transmission System ("Official Gazette of RS", No. 112/22), and Article 12 of the Statute of the Energy Agency of the Republic of Serbia ("Official Gazette of RS", No. 52/05), on the 318th session held on January 30, 2025, the Council of the Energy Agency of the Republic of Serbia adopted the following:

DECISION

1. An approval is given to the Report of *Transportgas Srbija d.o.o. Novi Sad* on Determination and Application of Interim Measures, which was adopted by Decision No. 01-01/160, adopted by the director of *Transportgas Srbija d.o.o. Novi Sad* on January 28, 2025, in accordance with Article 45 of the Decree on Network Code for Balancing of Natural Gas Transmission System ("Official Gazette of RS", No. 112/22) – hereinafter: Decree.
2. In accordance with the approved report referred to in paragraph 1 of this Decision, the transmission system operator *Transportgas Srbija d.o.o. Novi Sad* is obliged to:
 - specify the implementation of balancing services interim measure under Article 47 of the Decree and applicable prices in accordance with the Decree in the transmission network code which they adopt in accordance with the Law and the Decree, and
 - take necessary measures for the establishment of the Balancing Platform referred to in Article 46 of the Decree.
3. The transmission system operator *Transportgas Srbija d.o.o. Novi Sad* is required to submit a report to the Energy Agency of the Republic of Serbia on the need for the continuation of the interim measures no later than March 31 of the current year for the previous year during which the interim measures were applied, in accordance with Article 45 of the Decree.
4. The duration of the interim measures referred to in paragraph 2 of this Decision will be determined by the Agency in accordance with the Decree, following an assessment of the reports submitted under paragraph 3 of this Decision. However, the duration of the interim balancing service measure may be determined until October 20, 2027, at the latest.
5. This Decision shall be published on the website of the Energy Agency of the Republic of Serbia.
6. This Decision shall be submitted to the transmission system operator *Transportgas Srbija d.o.o. Novi Sad* and to the Secretariat of the Energy Community.

Rationale

On January 28, 2025, *Transportgas Srbija d.o.o. Novi Sad* submitted a request: No. 05-02/161 to the Energy Agency of the Republic of Serbia, requesting the prescribed approval of the Report of *Transportgas Srbija d.o.o. Novi Sad* on the determination and application of interim measures, which was adopted by Decision No. 01-01/160 adopted by the director of the company *Transportgas Srbija d.o.o. Novi Sad* on January 28, 2025 (hereinafter, the report). *Transportgas Srbija d.o.o. Novi Sad* prepared the submitted report based on the authorization provided by Article 45, paragraph 1 of the Decree on Network Code for Balancing the Natural Gas Transmission System ("Official Gazette of RS", No. 112/22) – hereinafter: Decree.

Article 44 of the Decree establishes that if the short-term wholesale natural gas market is not sufficiently liquid, the transmission system operator shall apply appropriate interim measures, with balancing activities undertaken by the operator in this case being aimed, to the greatest extent possible, at encouraging the liquidity of the short-term wholesale natural gas market.

Article 45, paragraph 1 of the Decree specifies that when the transmission system operator seeks to apply interim measures, they must prepare a report stating the following:

- 1) a description of the development and of the liquidity of the short-term wholesale natural gas market at the moment the report is prepared, including, where available to the operator, in particular: (1) number of transactions concluded at the virtual trading point and the total number of transactions; (2) price range between supply and demand and the quantities from purchase and sale offers; (3) number of participants with access to the short-term wholesale natural gas market; (4) number of participants who have been active on the short-term wholesale natural gas market during a specific period;
- 2) interim measures to be applied;
- 3) reasons for applying interim measures which include:
 - (1) an explanation why these measures are needed due to the level of development of the short-term wholesale natural gas market as described in item 2) of this paragraph;
 - (2) an assessment of their impact on increasing the liquidity of the short-term wholesale natural gas market;
- 4) establishment of steps to be taken to discontinue the application of interim measures and the criteria for undertaking these steps as well as the assessment of the time required to discontinue the application of the interim measures.

Paragraph 2 of this Article establishes that before submitting the report to the Agency for approval, the transmission system operator should conduct consultations with interested parties regarding the proposed report.

The Agency determined that in accordance with Article 45, paragraph 2 of the Decree, the transmission system operator conducted public consultations with interested parties before submitting the report for approval and that, during the public consultations, there were no objections to the content of the report.

Upon reviewing the content of the submitted report, the Agency established that, in this report, the transmission system operator *Transportgas Srbija d.o.o. Novi Sad* described the current level of development and liquidity of the wholesale natural gas market in the Republic of Serbia and provided the prescribed data that were relevant at the time the report was prepared on which bases, they assess that the natural gas market in the Republic of Serbia is not sufficiently liquid, and, for this reason, they propose in this report that the Agency should approve the following interim measures to be applied by *Transportgas Srbija d.o.o. Novi Sad*, i.e.: 1) Balancing Platform as specified in Article 46 of the Decree and 2) balancing services as specified in Article 47 of the Decree.

The application of both interim measures is justified by *Transportgas Srbija d.o.o. Novi Sad* by stating that it no sooner than now that they intend to procure and establish the Balancing Platform, which is expected to significantly increase the liquidity of the domestic short-term wholesale natural gas market. As the report states, at this moment, *Transportgas Srbija d.o.o. Novi Sad* does not have the Balancing Platform established, which is why they propose that the Agency should approve at the same time the implementation of the interim measure of balancing services under Article 47 of the Decree, since this service has already been used by *Transportgas Serbia d.o.o. Novi Sad* for balancing their natural gas transmission system.

Having in mind the above given statements, the Agency established that *Transportgas Srbija d.o.o. Novi Sad* is currently using balancing services and partially line-pack to balance their transmission system and that they had not yet established the Balancing Platform as prescribed in Article 46 of the Decree while they allow system users to trade natural gas quantities at the virtual point to balance their daily portfolio, which contributes to the reduction of the operator's need to perform balancing activities.

Therefore, the Agency considers that the balancing service may be a matter of consideration for approval as an interim measure in accordance with Article 47 of the Decree, given that the conditions for applying the other interim measure - the Balancing Platform - are not met (as it has not been established), and that the balancing service is used in a market-based manner, through a public tender process, in line with the principles of transparency, non-discrimination and minimum costs in accordance with the law regulating public procurement which should allow for greater participation of the providers of this service and which should gradually increase the liquidity of the domestic natural gas market in the circumstances of full implementation of the natural gas transmission network code.

When assessing the fulfilment of conditions for granting approval under Article 45, paragraph 4 of the Decree, the Agency had in mind the fulfilment of the conditions outlined in Articles 45-47 of the Decree, which specify that:

- the application of the interim balancing service measure does not prevent the implementation of another interim measure as an alternative or an additional measure, provided that the goal of such measures is to improve competitiveness and liquidity in the short-term wholesale natural gas market, and provided that they align with the general principles of the Decree (Article 44, paragraph 2 of the Decree),
- the interim balancing service measure cannot last longer than five years from the date the Decree comes into force, i.e., until October 20, 2027 (Article 44, paragraph 5 of the Decree),
- the interim measure of establishing the Balancing Platform may be approved when the short-term wholesale natural gas market lacks sufficient liquidity and is not expected to gain sufficient liquidity in the near future, as well as when the necessary temporal and locational products required by the transmission system operator, as specified by the Decree, cannot be secured in the market under reasonable conditions (Article 46, paragraph 1 of the Decree),
- Balancing services can be approved as an alternative to the Balancing Platform (Article 47, paragraph 1 of the Decree).

Article 45, paragraph 5 of the Decree establishes that, when deciding on the approval, the Agency shall assess the effects of harmonizing balancing regimes, facilitating market integration, ensuring non-discrimination, effective competition and efficient functioning of the natural gas market.

Considering the effects of harmonizing balancing regimes, facilitating market integration, ensuring non-discrimination, effective competition and efficient functioning of the natural gas market, the Agency assesses whether the proposed measures are appropriate for the level of liquidity in the short-term wholesale natural gas market in the Republic of Serbia.

The Agency had in mind that the full implementation of the balancing system rules, as required by the Decree, assumed that a high level of liquidity had already been established in the natural gas market while this is not the case in the natural gas market of the Republic of Serbia currently, which is why the Agency recognizes the need for the operator to gradually establish the prescribed balancing regime under the Decree, through the application of interim measures within the timeframe specified by the Decree. If balancing services which are expected to contribute to the anticipated increase in market competition, integration of the domestic natural gas market and the improvement of market liquidity are applied in the initial phase, the Agency does not foresee any negative impact on competition during this phase. Instead, the Agency believes that the application of balancing services will contribute to the increase in the liquidity of the domestic market under the full application of the transmission network code. In the later phase, once the conditions are met by the deadline set by the Decree, the functional Balancing Platform would be established. As the Decree stipulates that the application of interim measures is reassessed annually, if the conditions for the full implementation of the Decree are met by the expiration of the interim balancing service measure, the Agency shall consider ending the interim measures regime and transitioning to the Trading Platform in accordance with the Decree.

Aiming at the termination of interim measures, *Transportgas Srbija d.o.o. Novi Sad* outlined the following steps in their report for the period from 2025 to 2030, which they claim will contribute to the increase in the short-term liquidity of the market:

- adoption and implementation of the Network Code of *Transportgas Srbija d.o.o. Novi Sad*, which is aligned with the Decree and ensures transparent and non-discriminatory access rules, obligating system users to take responsibility for balancing their balancing portfolios and pay imbalance charges reflecting balancing costs in the circumstances when there are no market prices, with the introduction of neutrality charges as a form of financial settlement;
- establishing a new short-term standard capacity product - the intraday capacity product in the transmission network code, which will allow suppliers to respond quickly by buying and selling natural gas to balance their balancing portfolios, leading to an increase in the number of transactions and of system users, as well as to more efficient balancing of the system, which can also affect market liquidity;
- activities related to the establishment of the Balancing Platform and, further on, activities aimed at the transition to the gas Trading Platform prescribed in the Decree;
- integration of the wholesale natural gas market of the Republic of Serbia into the regional gas market.

Based on the findings in this report, in accordance with the Decree, the Agency assesses that interim measures may only last until the expiration of the deadlines specified in Articles 46 and 47 of the Decree. Therefore, *Transportgas Srbija d.o.o. Novi Sad* is obliged to take measures to increase the short-term liquidity of the market before the expiration of the prescribed deadlines. This requires the adoption and implementation of the transmission network code in accordance with the Law and regulations issued based on this law. This code must contain transparent and non-discriminatory provisions that oblige system users to take responsibility for balancing their balancing portfolios and pay imbalance charges reflecting the costs of balancing under circumstances when there are no market prices, while also allowing for the determination of neutrality charges for financial settlement. Furthermore, *Transportgas Srbija d.o.o. Novi Sad* should also enable contracting the short-term standard capacity product - an intraday capacity product so that suppliers can buy and sell natural gas intradaily and balance their balancing portfolios, which should contribute to increasing the number of transactions in the natural gas market, the number of system users and more efficient balancing of the system by *Transportgas Srbija d.o.o. Novi Sad*.

The Agency assesses that the application of balancing services in the first step and then the establishment of a functional Balancing Platform as soon as possible would contribute to greater liquidity in the gas market and its integration with regional natural gas markets which is a requisite for the full application of the Decree and the establishment of a gas Trading Platform and these conditions should be met by the expiration of the prescribed deadlines for the interim measures duration.

In accordance with Article 45, paragraph 6 of the Decree, the Agency conducted consultations with neighbouring regulatory authorities regarding the content of this report and acknowledged that neighbouring regulatory authorities had no objections to the interim measures given in this report.

Based on the above, at their 318th session on January 30, 2025, the Council of the Energy Agency of the Republic of Serbia decided as stated in the dispositive.

In accordance with Article 45, paragraph 4 of the Decree, this decision is forwarded to the competent body in accordance with Article 76, paragraph 2 of the Treaty Establishing the Energy Community.

No: 37/2025-Д-01/2

Belgrade, January 30, 2025

PRESIDENT OF THE COUNCIL

Dejan Popović