

## **Romania holds first capacity auction for Isaccea-Negru Vodă pipeline**

September 2016

On September 5, Romanian natural gas transmission system operator (TSO) Transgaz held a long awaited first capacity auction for Transit 1 Isaccea–Negru Vodă natural gas pipeline, as Romania is compelled by EU legislation to allow third party access. The pipeline's capacity was reserved solely to carrying Russian gas to Bulgaria but will expire on September 30.

The auction was held on Hungarian platform RBP as Transgaz has not developed a gas trade platform suitable for this type of transactions. Three companies have won the allotted capacity for Negru Vodă 1 – Kardam interconnection point at the Romanian-Bulgarian border: Bulgargaz (the largest Bulgarian natural gas distribution company), Transenergo and Wiie Romania and thus, have also won the associated capacity for Romanian-Ukrainian Isaccea interconnection point allowing them full use of this transit pipeline.

Romania's capacity auction is a significant step in regional gas market opening. At the end of July 2016, Transgaz has signed gas interconnection agreements with its Bulgarian and Ukrainian counterparts in order to increase interconnectivity and allow bidirectional flow from Ukraine to Greece. Nevertheless, there are still challenges to overcome. According to EU regulations, capacity at an internal border point should, ideally, be bundled by TSOs on both sides, meaning that Transgaz and Bulgartransgaz, respectively Transgaz and Ukrtransgaz should jointly auction their border capacity. Still, Romania and Ukraine announced that they will auction capacity separately until Ukraine chooses a platform for bundled capacity auctions, while Bulgartransgaz will hold cross-border capacity auctions for the Negru Vodă 1 - Kardam interconnection point with Romania later this year on the same RBP auction platform. Bulgartransgaz was expected to hold unbundled auction capacity in September but decided against as most Bulgarian gas contracts are ongoing.

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