# Regulation of Transmission and Distribution Unbundling

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## ENERGY MARKET REGULATORY AUTHORITY

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# Basic Information TSO

*TSO operators (gas) :*

- *TSO Unbundling - Actual Situation (gas);*

*-BOTAŞ is responsible for the transmission and supply of natural gas in our country.*

*-BOTAŞ owns the entire natural gas transmission network and is responsible for its operation.*

*-In the decree law numbered 397 issued in 1990, BOTAŞ became responsible for the sale, pricing and distribution of natural gas produced within the country and imported from abroad.*

*-Later, the first steps towards liberalization in the market were taken with the law that came into force in 2001.*

*-The law states that with the permission of the Ministry, the amounts subject to BOTAŞ's natural gas purchase agreements can be transferred or contracts can be transferred.*

*-It is stated that BOTAŞ will not be subject to the market share limitations in the law until the contract transfer processes are completed.*

*-In addition, it was stated that the vertically integrated legal entities will continue until BOTAŞ is restructured as a horizontally integrated legal entity with the amendment made in the Law in 2023.*

*-Finally, it was stated that the Board may evaluate the requests within the procedures and principles determined in the applications regarding imports by obtaining the approval of the Ministry and allow imports.*

# *TSO Unbundling Models;*

*-Natural gas distribution and transmission activities in our country are carried out by vertically integrated companies.*

*-The Law requires enterprises with a vertically integrated structure to obtain separate licenses for each market activity.*

*-Companies are required to keep accounting records separately for each market activity.*

*-In addition, cross-subsidy in the natural gas market has been prohibited.*

*-Thus, BOTAŞ has been obliged to make accounting separation within the scope of the Law.*

# Basic Information DSO

*DSO operators:*

- *Number and size of DSOs (gas)*

*-In our country, natural gas distribution activities are carried out by distribution companies licensed by the Authority in 73 distribution regions.*

*-The distribution companies in question are responsible for operating the distribution network and carrying out retail sales of natural gas to consumers.*

*-Natural gas is used in all 81 provincial centers in our country.*

# DSO Unbundling - Actual Situation (gas);

*-Natural gas distribution activities in our country were first carried out by local governments in the provinces of İstanbul, Ankara, İzmit and Sakarya, and by BOTAŞ in the provinces of Bursa and Eşkisehir.*

*-The Law published in 2001 introduced regulations regarding the privatization of existing distribution companies and the operation of private companies to be determined through tenders in newly established distribution regions.*

*-Thus, companies were privatized and tenders were made for the determined distribution regions.*

*-In the current situation, distribution companies with vertically integrated structures both operate the distribution network and carry out retail sales activities of natural gas in the distribution regions they are authorized.*

*-The tariffs applied by these companies in their own distribution regions are determined by the EMRA with the price ceiling method in certain periods.*

# ***DSO Unbundling Models***

*-The market structure of the Turkish natural gas distribution sector was established by law in 2001.*

*-The natural gas distribution sector is a market where network operation and retail sales activities are carried out together by different companies in 73 distribution regions.*

*-In this context, distribution companies are required to conduct accounting research for the distribution of natural gas and retail sales activities of natural gas.*

# Role of Regulator

- *Supervision and Monitoring Rules;*

*-According to the law on the natural gas market;*

**In order to provide natural gas to consumers in a quality,*

**continuous,*

**cheap,*

**and competitive manner that will not harm the environment,*

**the natural gas market is liberalized,*

**a financially strong,*

**stable and transparent natural gas market is created,*

**and an independent regulation and supervision is provided in this market.*

*- According to the law, the liberalization of the natural gas market is the main objective of the sector regulator. For this reason, EMRA has implemented some regulations on issues such as the operation of the transmission network and the fair access of third parties to the network.*

# Challenges in Unbundling Process;

*-There are some regulations that need to be made in other market areas before separation. These areas include import, transmission, storage, wholesale and consumer markets.*

***-For import;***

**Reducing market density by increasing source diversity*

**Liberalizing import and increasing private sector participation in the market*

**Lifting the ban on BOTAŞ's existing contracts with countries that are still in effect*

**Expanding spot pipeline gas imports*

**İncreasing the share of LNG in imports and expanding LNG terminals.*

***-For transmission and storage;***

**Separation of BOTAŞ's commercial activities from network operations as foreseen in the Law and establishment of an independent transmission system operator.*

**Regulation of the interoperability of the transmission network with the distribution network to be separated and development and legislation of ancillary services market such as capacity tenders and storage revisions.*

**The current storage capacity and infrastructure must be developed.*

- ***For wholesale;***

**With the separation of BOTAŞ, wholesale activities should be made completely independent from network operation.*

**Increasing the participation of independent suppliers in the market.*

**Developing the secondary capacity market.*

**Establishing an effective balancing mechanism.*

**Ensuring the formation of a reference price in the wholesale of natural gas.*

**Developing a system where BOTAŞ can transparently announce its purchases to the public, thus contributing to the formation of a reference price.*

**The natural gas balancing mechanism should be developed.*

• ***In terms of the consumer market;***

**Increasing the rate of eligible consumers switching suppliers.*

**Distribution companies should be obliged to complete eligible consumer transitions within a certain time.*

# Conclusions and takeaways.

*-In our country, in the unbundling models and transition process;*

**As in other countries, unbundling should be implemented primarily at the legal level and a certain transition period should be determined so that the market can adapt to this model,*

**A mechanism should be developed by starting the unbundling application from the regions where consumption is intense,*

**A "pilot region" application should be implemented so that the market can adapt to this process and the developments can be monitored by the Energy Market Regulatory Authority,*

*It may be necessary.*

*-In the scope of network operation and tariff, the main function of the independent transmission operator should be arranged as balancing and gas flow optimization, and distribution network operation should be standardized so that the tariffs related to distribution activities can be arranged in a well.*

*-Ultimately, a well-designed market structure needs to be created so that end users can easily make their supplier choices.*

# THANK YOU
# FOR YOUR ATTENTION!

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