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NATURAL GAS MARKET TRANSMISSION NETWORK OPERATION REGULATION

SECTION ONE

Objective, Scope, Legal Basis and Definitions

Objective

Article 1- The objective of this Regulation is to set forth the principles and procedures to be covered in the network operation rules to be determined by the transmission companies.

Scope

Article 2- This Regulation covers the network operation related principles and procedures to be included in the network operation rules to be determined by transmission companies engaged in the activity of transmission through natural gas pipeline network; such principles and procedures concerning issues such as system access, notification of transportation amount and scheduling of the transportation service, determination of transportation amount, service interruptions, dispatch, system balancing, communication system, capacity allocation, natural gas delivery and metering.

Legal basis

Article 3- This Regulation is issued as per the provisions of Electricity Market Law no. 4628 and Natural Gas Market Law no. 4646.

Definitions

Article 4- For the purposes of interpretation and implementation of this Regulation, the following terms shall bear the following meanings:

- 1) **Law:** Natural Gas Market Law no. 4646 dated 18/4/2001.
- 2) **Authority:** Energy Market Regulatory Authority.
- 3) **Board:** Energy Market Regulatory Board.
- 4) **President:** President of the Energy Market Regulatory Board.
- 5) **Connection agreement:** Agreement to be entered into by and between a transmission company or a distribution company and the party requesting connection to the system, for the purposes of performing such connection.
- 6) **Exit point:** Point where natural gas leaves the transmission system and is taken over from the transmission company.
- 7) **Electronic Bulletin Board (EBB):** The electronic bulletin board installed to enable the market participants to follow the transactions in the market and operated by the transmission company.
- 8) **Entry point:** Point where natural gas enters the transmission system and is delivered to the transmission company.
- 9) **Transmission network:** Natural gas pipeline network and associated facilities other than the natural gas distribution network, used for transportation of natural gas.

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10) **Relevant legislation:** Laws, regulations, communiqués, circulars and Board decisions pertaining to the Natural Gas Market, and the license or licenses held by the legal entity in question.

11) **System:** Facilities installed for the purposes of production, transmission, storage, and distribution of natural gas.

12) **System access:** Connection to the system or enjoying natural gas transportation or storage services.

13) **System day:** 24-hour period starting at 08:00 and ending at 08:00 the next day.

14) **Transportation contract:** Agreement signed by and between system users and transportation companies for the purpose of natural gas transportation.

15) **Supplier:** Import companies, wholesale companies and production companies which sell natural gas to eligible consumers, wholesale companies, import companies, export companies, CNG distribution, transmission and sales companies and distribution companies.

16) **Delivery point:** Point where natural gas is delivered.

17) **Delivery contract:** Agreement signed by and between system users or those acting on their behalf and transmission companies or storage companies and transmission companies or transmission companies and other transmission companies for natural gas delivery.

SECTION TWO

Rules pertaining to Network operation and Transportation Amounts

Rules pertaining to Network Operation

Article 5- Transmission licensee shall prepare the rules pertaining to network operation, including those related to system access, and submit them to the approval of the Authority, in line with the principles and procedures set forth in this Regulation and in the relevant legislation, at least three months prior to commissioning of the relevant network. No amendment shall be done to the rules in question without the approval of the Authority. **Whenever it is deemed necessary, the Board can make amendments in the legislation by taking the stakeholders' opinions.**

In setting such rules, the principles of non-discrimination, economical, efficient and safe operation shall be followed.

System access

Article 6- Information required for filing an application with the transmission company for system access, principles and procedures pertaining to such applications and the actions to be performed in relation to such applications shall be set forth within the scope of the rules pertaining to network operation.

Connection agreement shall be entered into for connecting to the transmission network, and transportation contract shall be entered into for transporting natural gas through the transmission network.

Notification of transportation amount

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Article 7- The following shall be done with respect to notifications to be made to the transmission company with respect to transportation amounts:

a) Transportation amounts shall be informed, stating the entry and exit points and such notifications shall be maintained by the transmission company.

b) Principles and procedures related to transportation amount notifications, approvals, the period in question, time of notification and measures to be taken in case of failure to make such notification shall be determined in detail by the transmission company.

c) Suppliers may request the scheduled natural gas amounts to be increased or decreased, or they may request changes to the scheduled exit points, within a system day.

Transportation scheduling

Article 8- The transportation company shall prepare the transportation schedules in accordance with the notifications to be filed as per Article 7 or, in the absence of such notifications, in accordance with the amounts to be determined in line with the principles and procedures set forth within the scope of the rules pertaining to network operation. Amounts stated in the notifications received after the relevant deadline shall be scheduled after those stated in the notification received in time, and subject to system availability. In scheduling, uninterrupted transportation service has priority.

After scheduling the transportation amounts, the transmission company shall send a notification of approval to the suppliers. Such notification shall be maintained by the parties.

In case of any change in the scheduled amounts, all parties affected by such change shall be informed of the change, simultaneously.

Determination of transported amounts

Article 9- At the end of a system day, the transmission company shall determine the transported amounts of natural gas at each entry and exit point. The transmission company shall inform of these amounts all parties enjoying the transportation service provided by the transmission company.

SECTION THREE

Interruption or Reduction of Delivery Amount, Dispatch and Balancing Service

Interruption or reduction of delivery amount

Article 10- The transmission company shall have the right to interrupt service or reduce delivery amounts at the entry and exit points;

a) immediately, in cases where there is natural gas leakage in the transmission network, where the safety of the transmission network is under serious risk, or where the pressure or the quality of natural gas in the transmission network would present danger to people or goods if delivered;

b) upon notifying parties within the periods set forth in the rules pertaining to network operation, in cases of system imbalance;

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c) as per the principles set forth in the transportation contracts, if required during maintenance, repair, control, connection or renewal works on the transmission network.

In such cases, suppliers shall act as per those instructions of the transmission company related to service interruptions or reduction of delivery amounts.

In cases of service interruptions or reductions in delivery amounts due to system imbalance;

1) if it is understood within the same system day who the supplier causing the interruption or reduction in delivery amounts is, reduction shall be applied to natural gas deliveries, proportional to the imbalance caused by the supplier in question.

2) If it cannot be understood within the same system day who the supplier causing the interruption or reduction in delivery amounts is, service to interruptible customers in the region affected by the system imbalance shall be interrupted first. Then, reduction in the delivery amounts shall be applied to non-interruptible transportation services, proportional to each customer's respective capacity, in the order determined by the suppliers for their respective customers.

For the purposes of determining the suppliers whose supplies are insufficient, the transmission company shall request information and documents from the suppliers as to whether each has provided the scheduled amount of natural gas or not. The form and content of information and documents shall be determined by the transmission company.

The transmission company shall be obligated to retain a copy of each notification served about interruptions or reductions in the delivery amounts and keep and maintain records as to interruptions or reductions in delivery amounts applied to each supplier on system day basis.

The suppliers shall provide the transmission company with the lists of customers, on regional basis, covering all interruptible and non-interruptible customers in the order in which interruptions shall be applied, to be followed in case of interruptions and reductions to be applied for system balancing. The transmission company shall apply any interruption or reduction in the order given in the lists of customers provided by the suppliers.

Dispatch and system balancing service

Article 11- Amounts scheduled for any system day shall basically fully correspond to the amounts actually delivered on that day. Any difference between scheduled amounts and actual deliveries on any system day shall not exceed the acceptable limits set forth by the transmission company in the rules pertaining to network operation. In cases where such acceptable limits are exceeded, the parties in question shall be subject to payment of dispatch fees.

Dispatch fees comprise;

- a) Participation in system balancing fee,
- b) Interruption balancing fee,
- c) Service interruption fee.

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Suppliers, the difference between the scheduled amounts and actual deliveries of which exceed the acceptable limits and therefore cause interruptions on any system day shall pay participation in system balancing fee and interruption balancing fee to the transmission company. Those suppliers, the difference between the scheduled amounts and actual deliveries of which exceed the acceptable limits but which do not cause interruptions shall pay the transmission company only the participation in system balancing fee. Interruption balancing fee, collected from the suppliers which cause interruptions shall be paid by the transmission company to those suppliers affected by the interruption. In case of system imbalance or interruption due to a fault in operation, the transmission company shall be obligated to pay service interruption fee to the suppliers made subject to any associated interruption or reduction. These fees shall be determined by the Board in accordance with the relevant legislation.

The transmission company may request the suppliers to increase or decrease the amount of natural gas taken over and/or delivered at entry and/or exit points, for the purpose of system balancing. In such cases, the suppliers are obligated to follow the instructions to increase the amount, interrupt service or reduce the amount. The instruction to increase the amount of natural gas may be turned down only on the condition that it is certified that the amount of the supplies is insufficient to act as per such instruction.

Dispatch fee shall not be collected from those suppliers which go out of their schedule to increase or decrease the natural gas delivery amounts at entry or exit points, upon the instructions of the transmission company.

SECTION FOUR

Dispatch Center, Communication System and Capacity Allocations

Dispatch Center

Article 12- Dispatch centers shall be equipped with hardware, software and infrastructure to enable collection, communication and processing of all data required for monitoring the metering at transmission network entry and exit points, and monitoring and operation of the network. Dispatch centers shall be equipped as to enable issuance of instructions pertaining to transmission system dispatch and balancing.

Communication system

Article 13- The transmission company shall put in place a communication system, by means of an electronic bulletin board (EBB) accessible by all suppliers, through which notifications pertaining to all transmission network operational issues such as transportation amounts, scheduled and actual deliveries, interruption or reduction requests and associated amounts, system balancing instructions and capacity allocations shall be made. Such system may be used for communication with other transmission companies and storage companies.

Capacity Allocations

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Article 14 – The transmission company shall announce the available capacity using the electronic bulletin board (EBB) and shall determine a method based on the principle of non-discrimination for capacity sales or transfers, within the framework of the rules pertaining to network operation.

SECTION FIVE

Natural Gas Deliveries, Metering and Calibration of Metering Equipment

Natural gas deliveries

Article 15- Delivery of natural gas to or taking over the same from the transmission company shall be performed by suppliers or those acting on behalf of suppliers. Terms and conditions related to delivery and/or taking over of natural gas by those acting on behalf of suppliers and entering into delivery contracts with such persons shall be set forth in the transportation contracts.

The transmission company shall be obligated to determine and announce the existing entry and exit points on the transmission network. The entry and exit points to be used in relation to natural gas to be transported, the characteristics, and pressure and temperature limits of natural gas at delivery point shall be set forth in the transportation contract.

Metering and calibration of metering equipment

Article 16- At which frequency and how the meters at the entry and exit points are to be read shall be set forth in the transportation and/or delivery contract.

Suppliers shall have the right to have representatives present during installing, reading, maintenance and repair, replacement, control, calibration or setting of meters at entry and exit points.

For auditing and evaluation purposes, parties shall exchange metering records upon request.

Issues related to calibration of the metering equipment shall be set forth within the framework of the rules pertaining to network operation.

SECTION SIX

Temporary Articles, Effectiveness and Enforcement

Temporary Article 1- Entities operating the existing transmission networks shall prepare their rules pertaining to network operation and submit the same to the approval of the Authority within six months as of the issuance of this Regulation.

Temporary Article 2- The existing transmission companies shall put in place their communication systems **until 31.12.2004**. Until the communication system is in place, communication shall be provided using the method to be determined by the transmission companies. Existing dispatch center shall be compatible with the communication system to be put in place and in compliance with Article 12.

Effectiveness

Article 17- This Regulation shall come into effect on the date it is issued, to be effective as of 2/11/2002.

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Enforcement

Article 18- This Regulation shall be enforced by the President.

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