

## Daily Imbalance Charge – Draft Business Rules for Discussion

### 1. General

1.1. The TSO shall publish its imbalance charge methodology and update it accordingly as any changes are made. This methodology must contain:

1.1.1. The determination of the weighted average gas price;

1.1.2. The determination of the small adjustment;

1.1.3. The timing of the initial and final allocations and window for challenging / querying initial allocations;

1.2. The imbalance charge methodology shall be approved by the NRA, pursuant to Article 41(6)(b) of the Gas Directive.

### 2. Daily Imbalance Quantity Calculation

2.1. Each Network User shall have a Daily Imbalance Quantity calculated, which shall be the difference between its Inputs to and Offtakes from the Balancing Zone for each Gas Day.

2.2. A “Daily Imbalance Quantity” for each Network User shall be calculated based on allocation information available after the Gas Day.

2.3. The Daily Imbalance Quantity shall be calculated according to the following formula:

$$\text{Daily Imbalance Quantity} = \text{Inputs} - \text{Oftakes}$$

Where,

Inputs = Entry Allocations + VTP Buy Allocations

Where,

Entry Allocations = the sum of a Network User's allocations at Entry Points in respect of the Gas Day.

VTP Buy Allocations = the sum of a Network User's VTP Buy Allocations in respect of the Gas Day.

Offtakes = Exit Allocations + VTP Sell Allocations

Where,

Exit Allocations = the sum of a Network User's allocations at Exit Points in respect of the Gas Day.

VTP Sell Allocations = the sum of a Network User's VTP Sell Allocations in respect of the Gas Day.

- 2.4. Network Users shall be provided with an initial Daily Imbalance Quantity on the day following the Gas Day where technically and operationally feasible, but no later than (x) business days after the Gas Day.
- 2.5. Network Users shall be allowed to query or challenge Initial Daily Imbalance Quantity for a defined period of time after the initial Daily Imbalance Quantity is provided.

2.6. Following this period and no later (x)<sup>1</sup> business days in the month after the Gas Day, Network Users shall be provided with a final Daily Imbalance Quantity, to be used in the imbalance settlement process.

2.7. A Network Users Daily Imbalance Quantity can be either balanced, negative or positive according to the following:

2.7.1. If the sum of a Network User's Inputs for a Gas Day equals the sum of its Offtakes for a Gas Day, the Network User's Daily Imbalance Quantity for that Gas Day shall be balanced; and

2.7.2. If the sum of a Network User's Inputs for a Gas Day exceeds the sum of its Offtakes for a Gas Day, the Network User's Daily Imbalance Quantity for that Gas Day shall be positive; and

2.7.3. If the sum of a Network User's Offtakes for a Gas Day exceeds the sum of its Inputs for a Gas Day, the Network User's Daily Imbalance Quantity for that Gas Day shall be negative.

### **3. Daily Imbalance Charge**

3.1. Where a Daily Imbalance Quantity for a Network User is either positive or negative, a "Daily Imbalance Charge" shall apply. Where a Network User:

3.1.1. Has a negative Daily Imbalance Quantity it shall be liable to pay Daily Imbalance Charges.

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<sup>1</sup> To be agreed and no greater than 24

3.1.2. Has a positive Daily Imbalance Quantity it shall be entitled to a credit in respect of Daily Imbalance Charges.

3.2. A Marginal Buy Price and a Marginal Sell Price shall be calculated for each Gas Day:

3.2.1.A Marginal Sell Price is calculated as the lower of:

- The lowest price of any gas balancing trade to which the TSO is a party in respect of a balancing period (excluding locational or temporal products), or
- The weighted average price of gas traded<sup>2</sup> in respect of that day, minus a small<sup>3</sup> adjustment to incentivise Network Users to balance.

3.2.2. A Marginal Buy Price is calculated as the higher of:

- The highest price of any gas balancing trade to which the TSO is a party in respect of a balancing period (excluding locational or temporal products), or
- The weighted average price of gas traded in respect of that day, plus a small adjustment to incentivise Network Users to balance.

3.2.3. The weighted average price of gas should be derived on the following basis:

- Trades in respect of Day D made on D-1 and Day D.
- Trades made on pre-identified platforms, exchanges or via recognized price reporting.

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<sup>2</sup> Does not state whether locational trades are allowed or not.

<sup>3</sup> Framework guidelines state “may include”.

3.3. The Daily Imbalance Charge shall be calculated by the TSO for each Network User for each Gas Day in accordance with the following formula:

3.3.1. Daily Imbalance Charge = Negative Daily Imbalance Quantity x Marginal Buy Price, or

3.3.2. Daily Imbalance Charge = Positive Daily Imbalance Quantity x Marginal Sell Price.

#### **4. Determination of Small Adjustment<sup>4</sup>**

4.1. The small adjustment used in calculating the marginal price calculation shall be proposed by the TSO and assessed for approval by the NRA.

4.2. In designing the Small Adjustment the TSO will consider the following criteria:

4.2.1. It shall incentivise Network Users to balance their portfolio;

4.2.2. It shall be designed and applied in a non-discriminatory manner;

4.2.3. It shall not deter market entry;

4.2.4. It shall not impede the development of competitive markets;

4.2.5. Its impact on cross border trade;

4.3. Should there be evidence that the criteria are not satisfied, the TSO may seek and the NRA may approve an immediate change of the small adjustment.

## 5. Allocations

5.1. Allocations shall form the basis of determining the initial and final Daily Imbalance Quantity.

5.2. A principle of the Balancing Network Code shall be that all gas flows at Entry Points and Exit Points to the Balancing Zone shall be allocated to individual Network Users per Gas Day.

5.2.1. Save where the Allocated Quantity for NDM Offtakes is derived from the NDM Derived Forecast, it is provided on a Day Ahead basis.

### 5.3. Entry Allocations

5.3.1. An Entry Allocation shall refer to the quantity of natural gas that is allocated to a Network User at each Entry Point in respect of a Gas Day.

5.3.2. The Entry Allocation can apply to one or more of the following Entry Points:

- Interconnection Points;
- LNG Terminal Inputs;
- Production Facilities;
- Storage Withdrawals;
- Transmission System / Distribution System Inputs(s)<sup>5</sup> or if the Balancing Zone includes the distribution system, Entry Points directly entering the Distribution System.
- Virtual Entry Points;
- Any other point where gas flows enter the Balancing Zone;

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<sup>5</sup> Example might include biogas

5.3.3. The process for deriving the Entry Allocation at each point shall not be part of the Balancing Network Code [although the process should not be detrimental to the efficiency of the balancing regime].

#### 5.4. Exit Allocation

5.4.1. An Exit Allocation shall refer to the quantity of natural gas that is allocated to a Network User at an Exit Point in respect of a Gas Day;

5.4.2. The Exit Allocation can apply to one or more of the following Exit Points:

- Interconnection Points;
- Storage Injections;
- Transmission connected Intraday Metered End Consumer Offtakes;
- Transmission connected Daily Metered End Consumer Offtakes;
- Transmission connected Non Daily Metered Consumer Offtakes
- Transmission System / Distribution System Offtakes(s) or, if the Balancing Zone includes the Distribution System, these Exit Allocations include:
  - Distribution connected Intraday Metered End Consumer Offtakes;
  - Distribution connected Daily Metered End Consumer Offtakes;
  - Non Daily Metered End Consumer Offtakes;
- Virtual Exit Points;
- Any other point where gas exits the Balancing Zone.

- 5.4.3. The Exit Allocation for Transmission connected Intraday Metered End Consumer Offtakes, Transmission connected Daily Metered End Consumer Offtakes, Distribution connected Intraday Metered End Consumer Offtakes and Distribution connected Daily Metered End Consumer Offtakes, shall be based on measured flows over the Gas Day.
- 5.4.4. The Exit Allocation for Non Daily Metered End Consumer Offtakes shall be based on an ex-post estimate of each Network Users offtakes, taking account of actual demand on the Gas Day, unless:
- Metered information is provided within the day on NDM Offtakes<sup>6</sup>;
  - Network Users are cashed out against day ahead information, , whereby the Exit Allocation equals the Day Ahead NDM Derived Forecast.
- 5.4.5. The estimate used for the Exit Allocation for Non Daily Metered End Consumer Offtakes shall be derived using the same algorithm used for the NDM Derived Forecasts.
- 5.4.6. Other than the above Business Rules, the network code shall not prescribe the process for deriving the Exit Allocation at each Exit Point [although the process should not be detrimental to the efficiency of the balancing regime]

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<sup>6</sup> Per model 2 in information flows