



Settlement / Neutrality

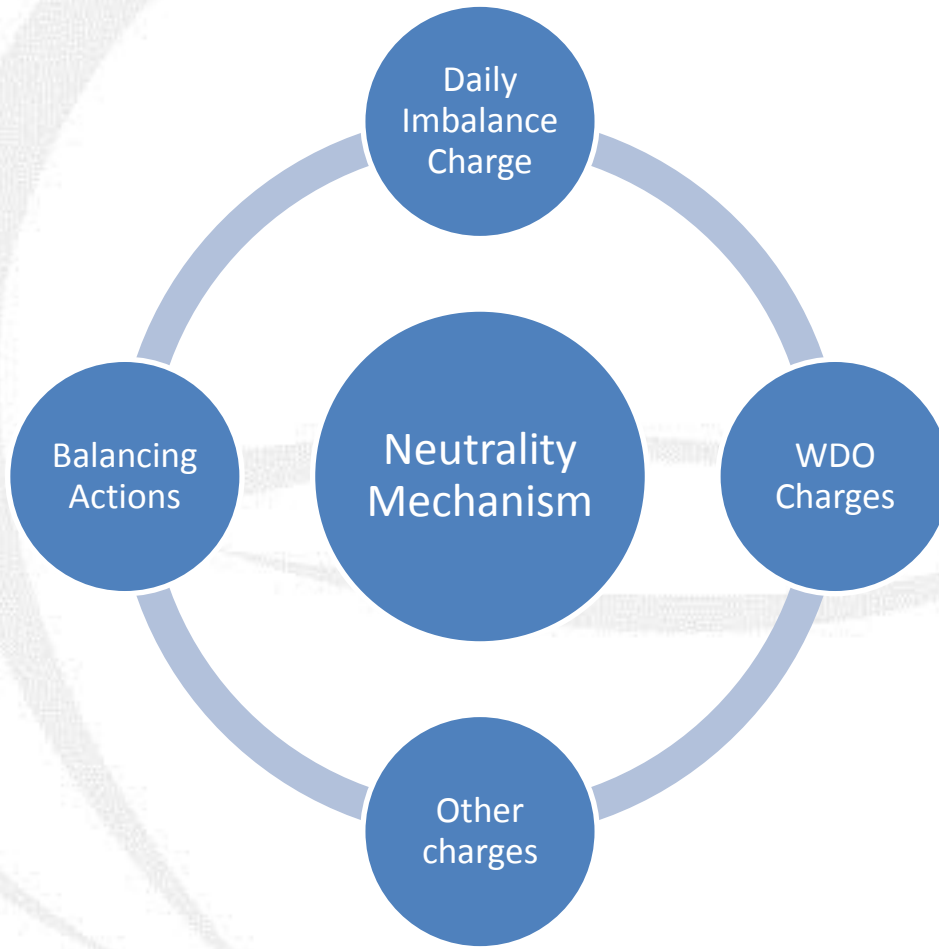
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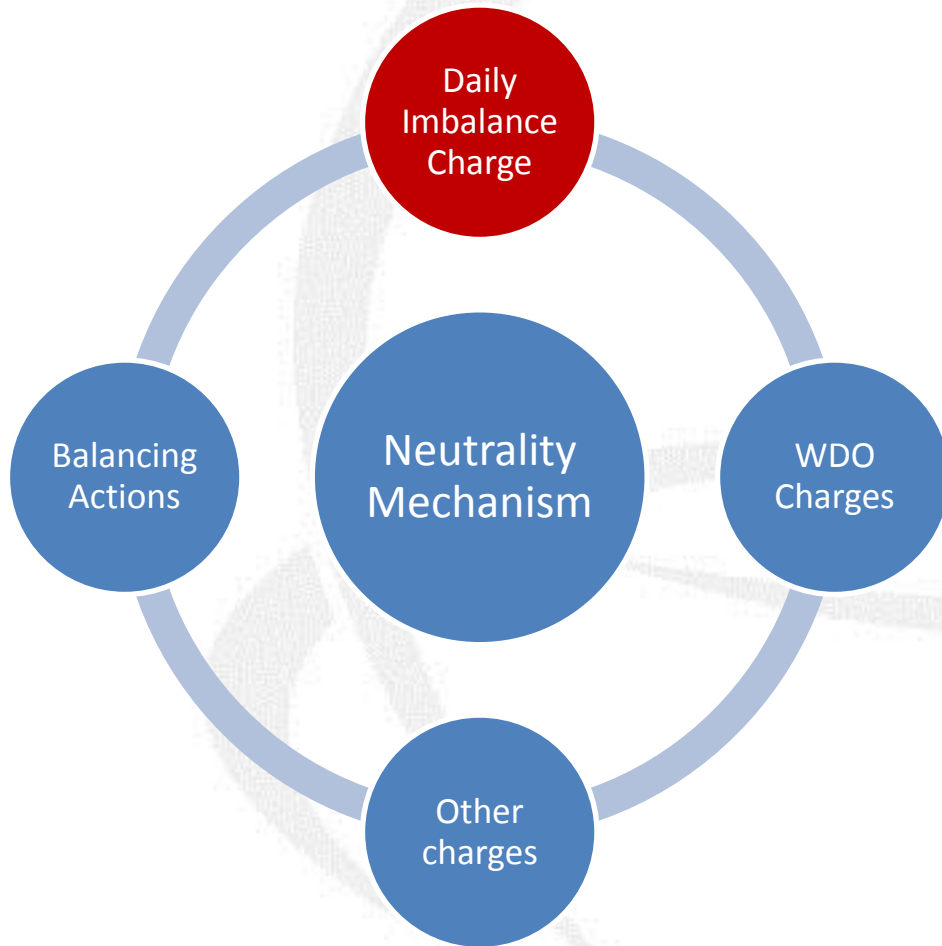
Network code considerations

- At the balancing launch event, ENTSOG and stakeholders discussed that the development of a Neutrality Mechanism needs careful consideration
- Some support was received for the principles of a mechanism being included in the code
 - satisfy the requirements specified in the framework guidelines (FGs) and
 - bring about some high-level harmonisation
- ENTSOG sees merit in having some details in relation to a Neutrality Mechanism in the network code and has developed the proposal further
- Stakeholder views are sought on the treatment of neutrality within the code

What are the financial elements of the balancing activities

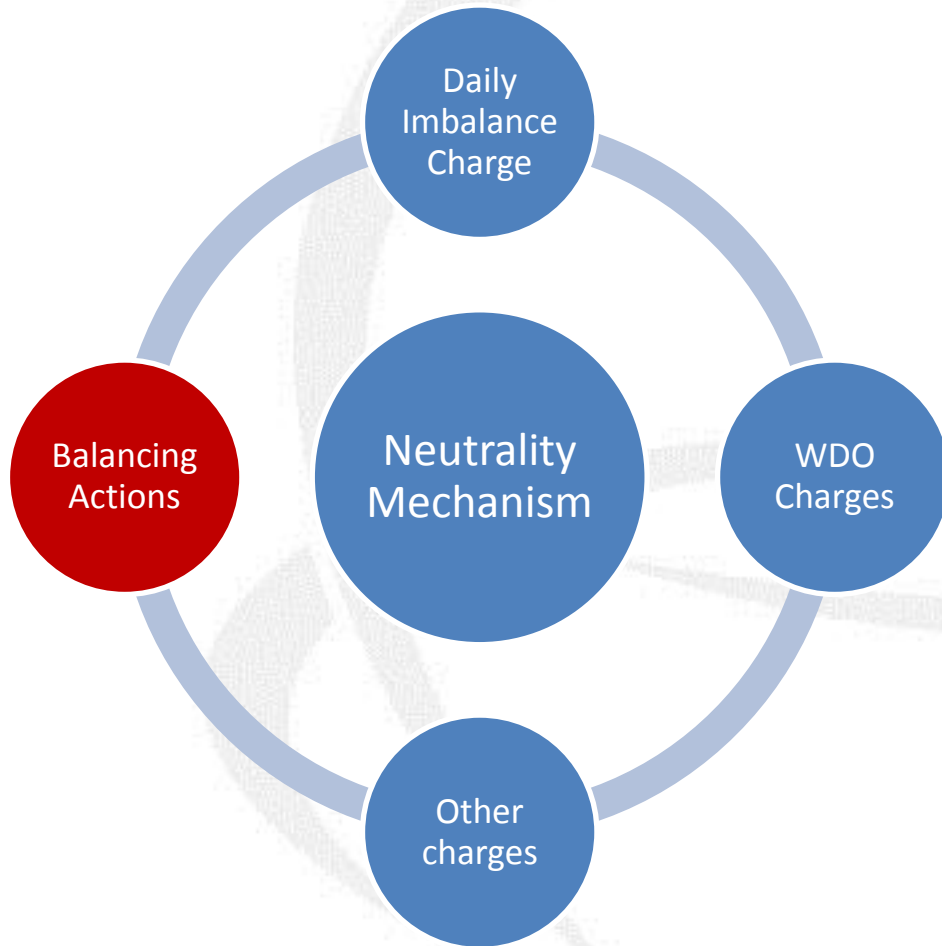


What are the financial elements of the balancing activities



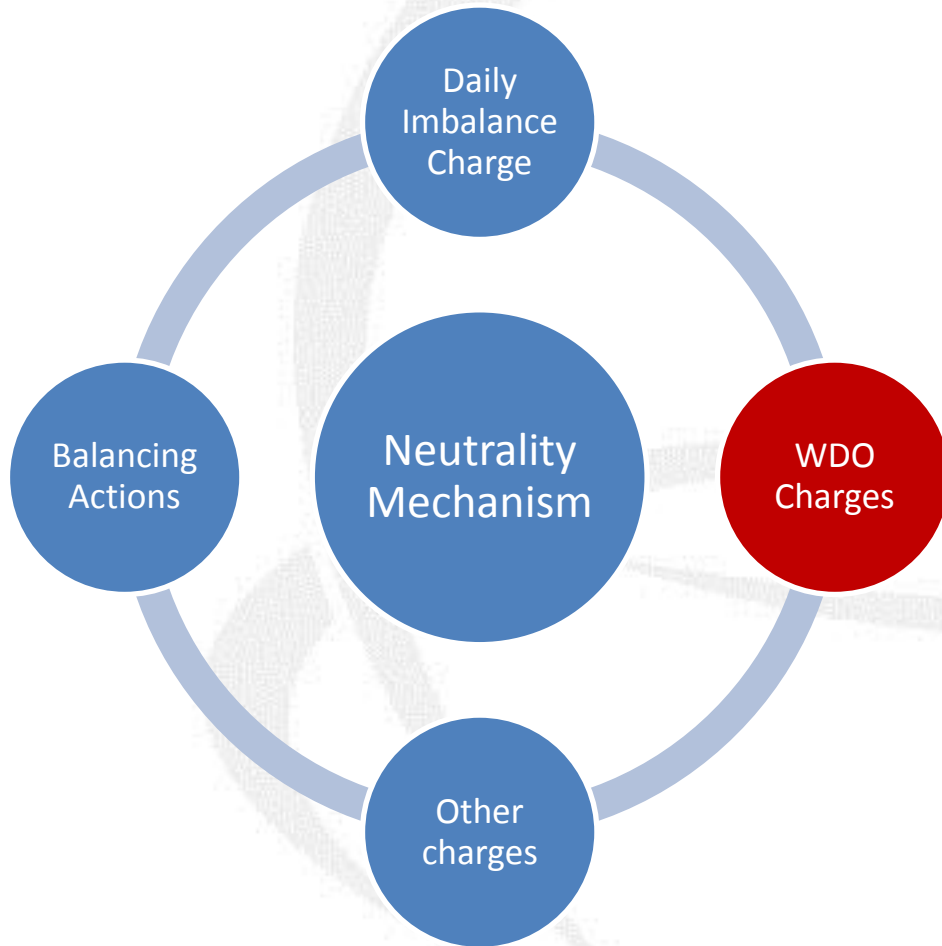
- Each Network Users is charged or credited for its Daily Imbalance Quantity
- May be net income or outgoing

What are the financial elements of the balancing activities



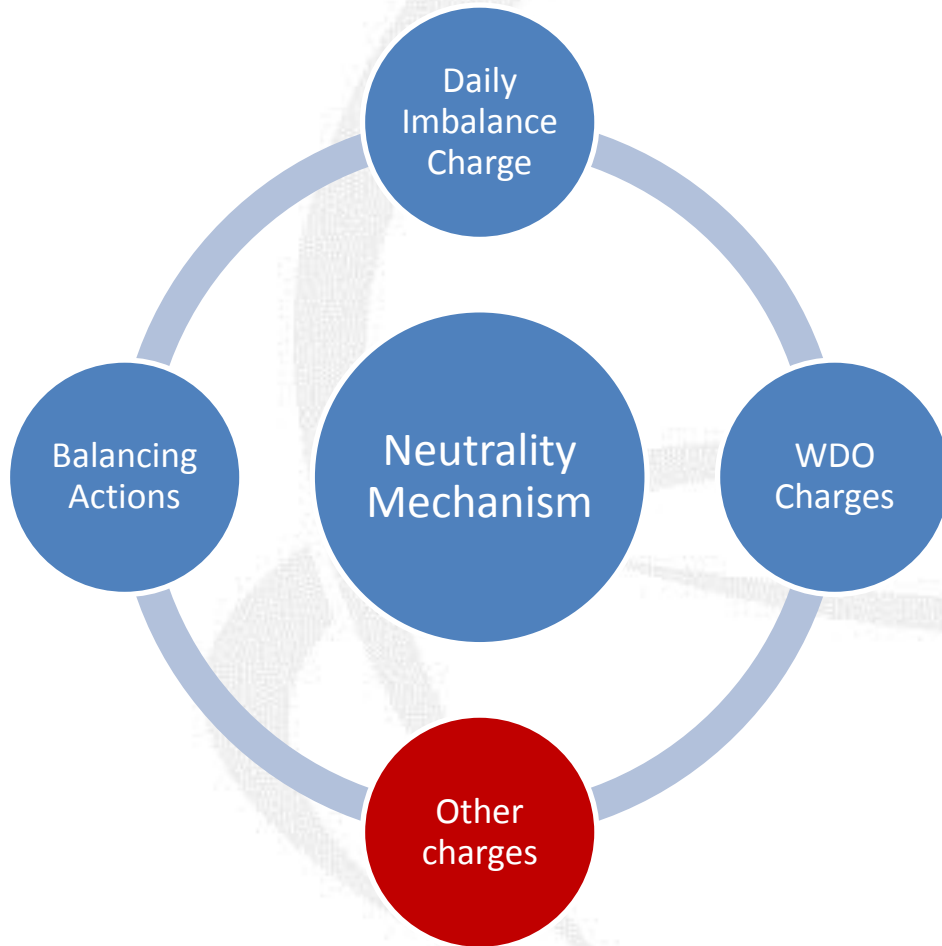
- This pot covers the TSOs balancing actions:
 - Short term products
 - Balancing Services
- May be net income or outgoing
- Can include fixed costs

What are the financial elements of the balancing activities



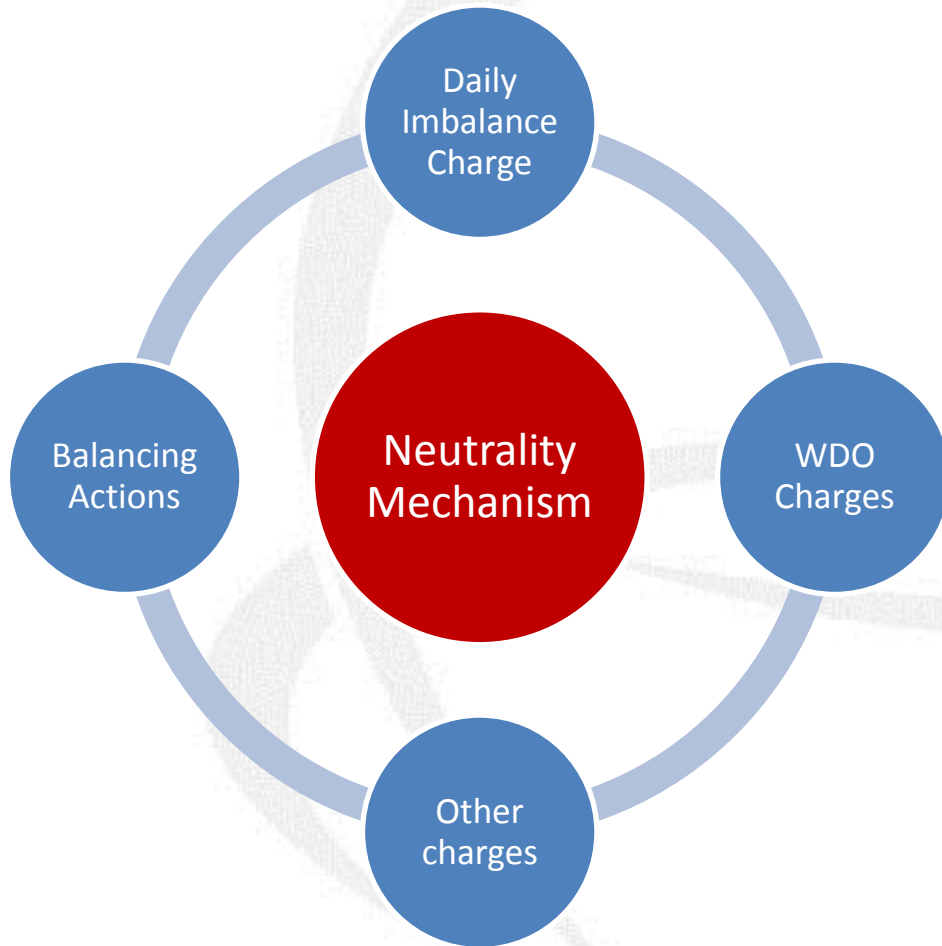
- May be an income if Network User did not follow a within day obligation
- Not a feature of all regimes

What are the financial elements of the balancing activities



- This pot intended to capture other financial flows from Balancing activities
 - E.g. administration costs
 - Financing costs

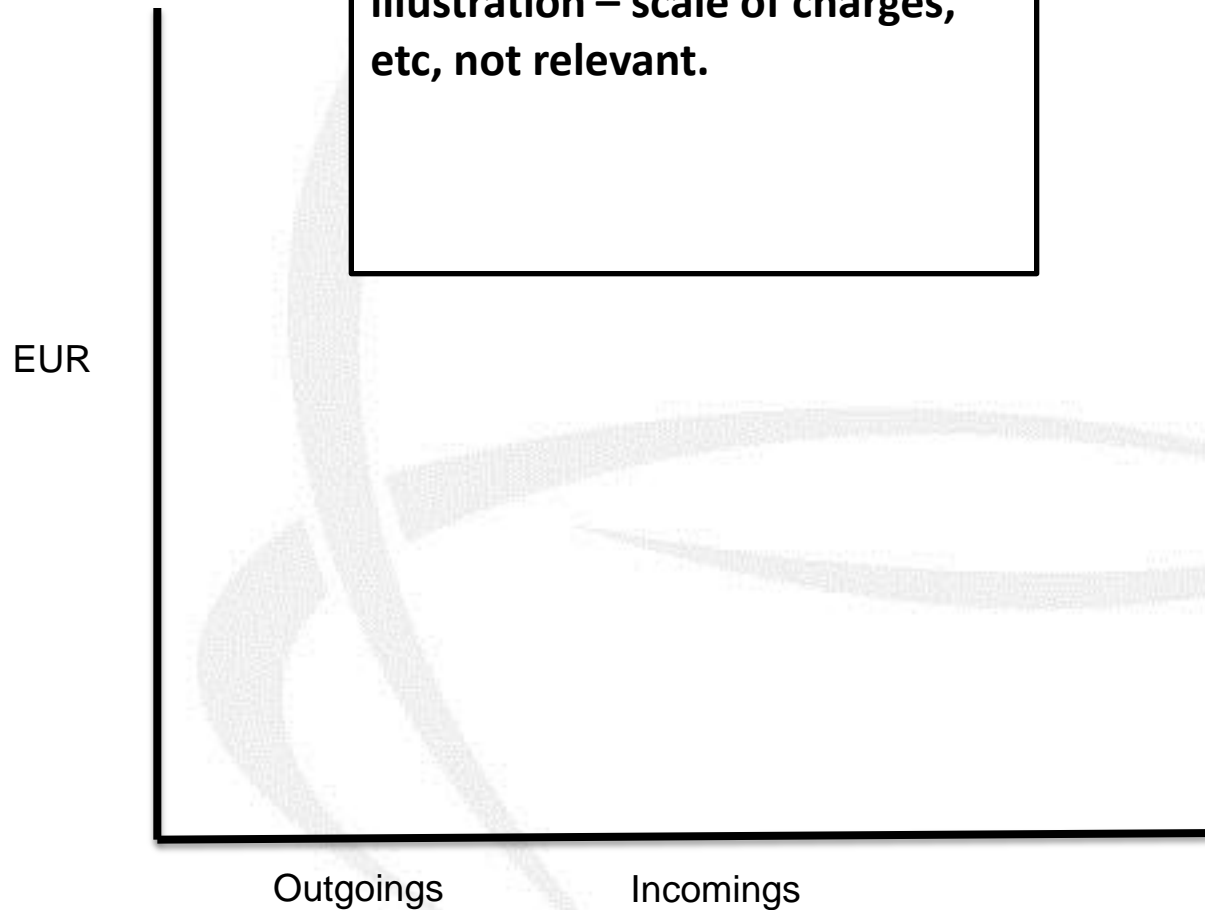
What are the financial elements of the balancing activities



- Choices then can be made on the principles of neutrality mechanism
- There are three main features of a neutrality mechanism:
 1. The financial flows that feed into the mechanism
 2. The construction of the mechanism
 3. The means of distributing the pot amongst network users

Lets look at an example Gas Day

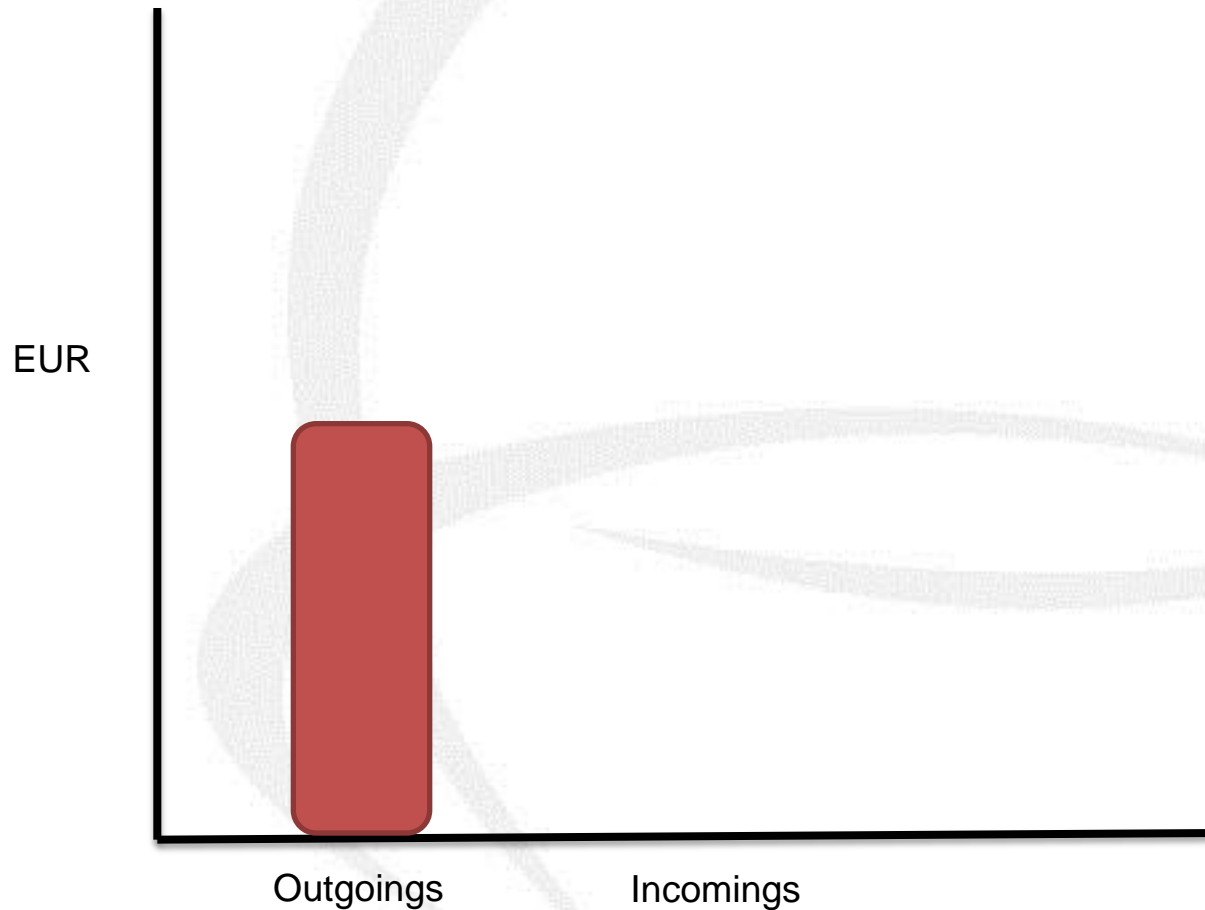
Note – all diagrams for illustration – scale of charges, etc, not relevant.



Lets look at an example Gas Day

Comment

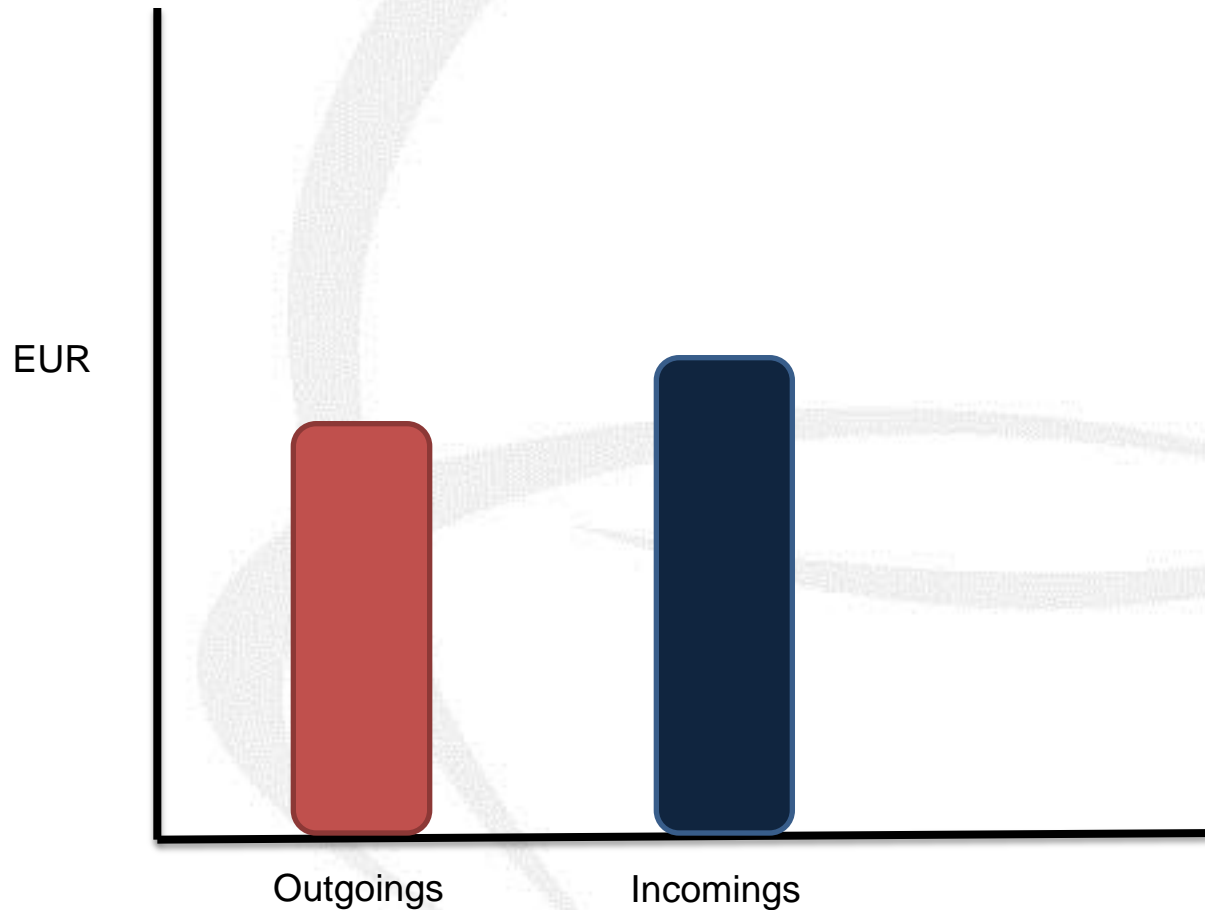
Network Users were short on this Gas Day and the TSO bought balancing gas



Lets look at an example Gas Day

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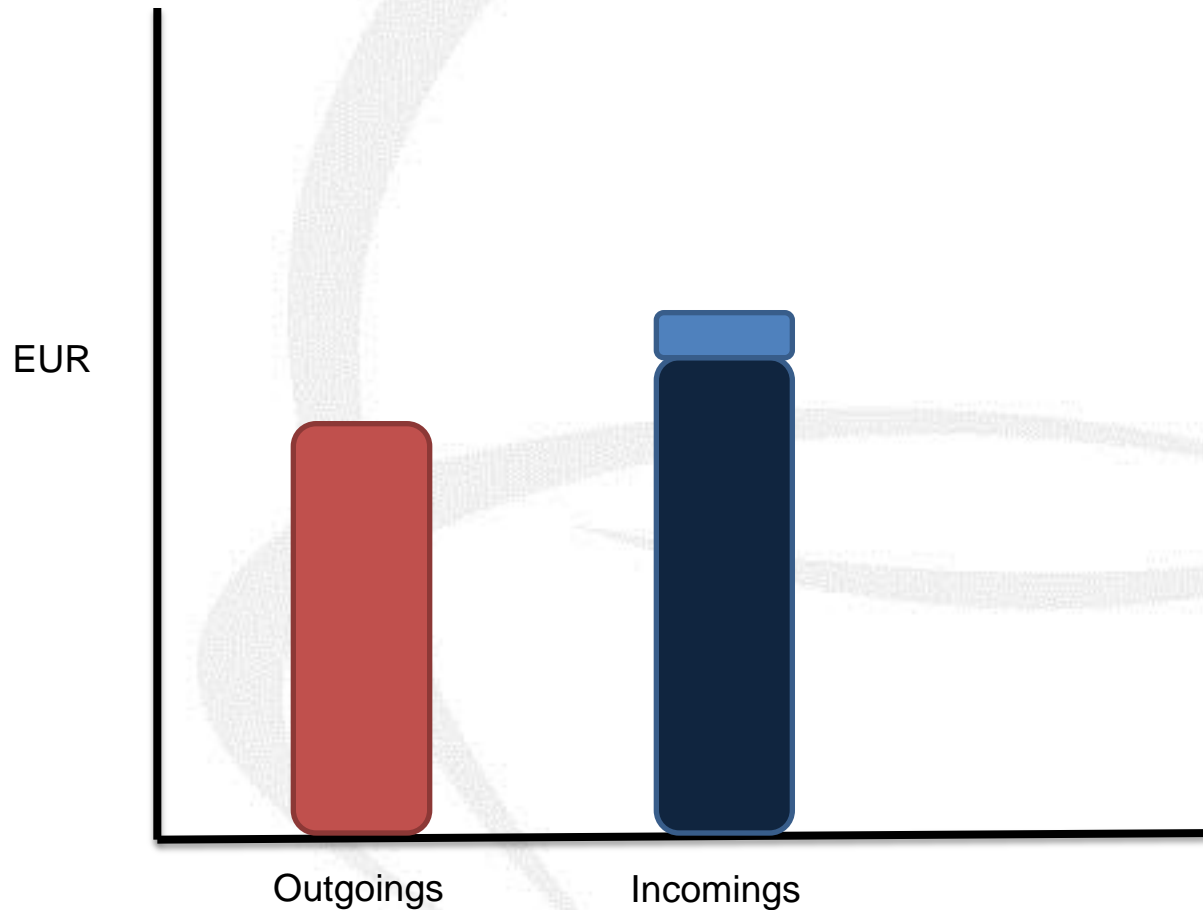
Each Network User imbalance is settled. In this example the incomings slightly exceed the TSOs costs.



Lets look at an example Gas Day

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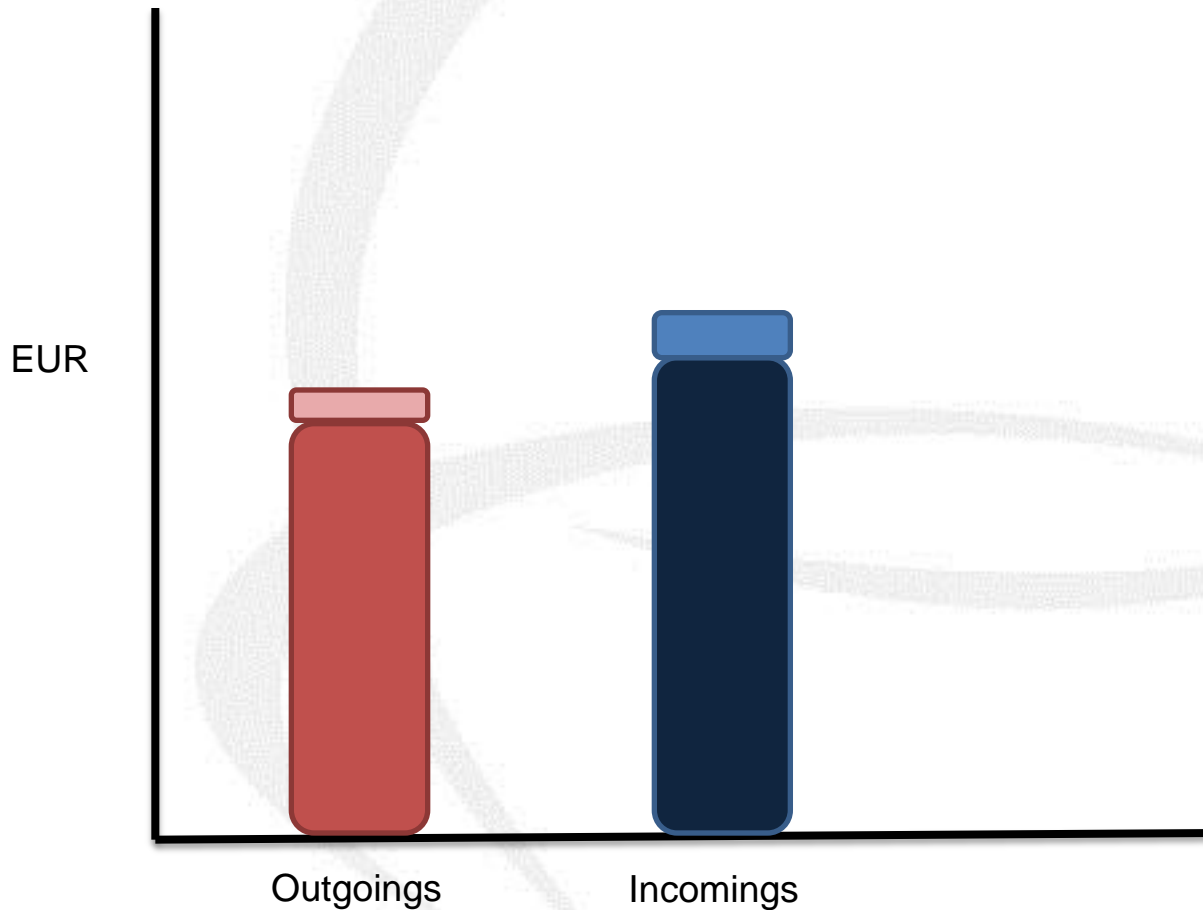
Some Network Users incur a small penalty for not following their WDO



Lets look at an example Gas Day

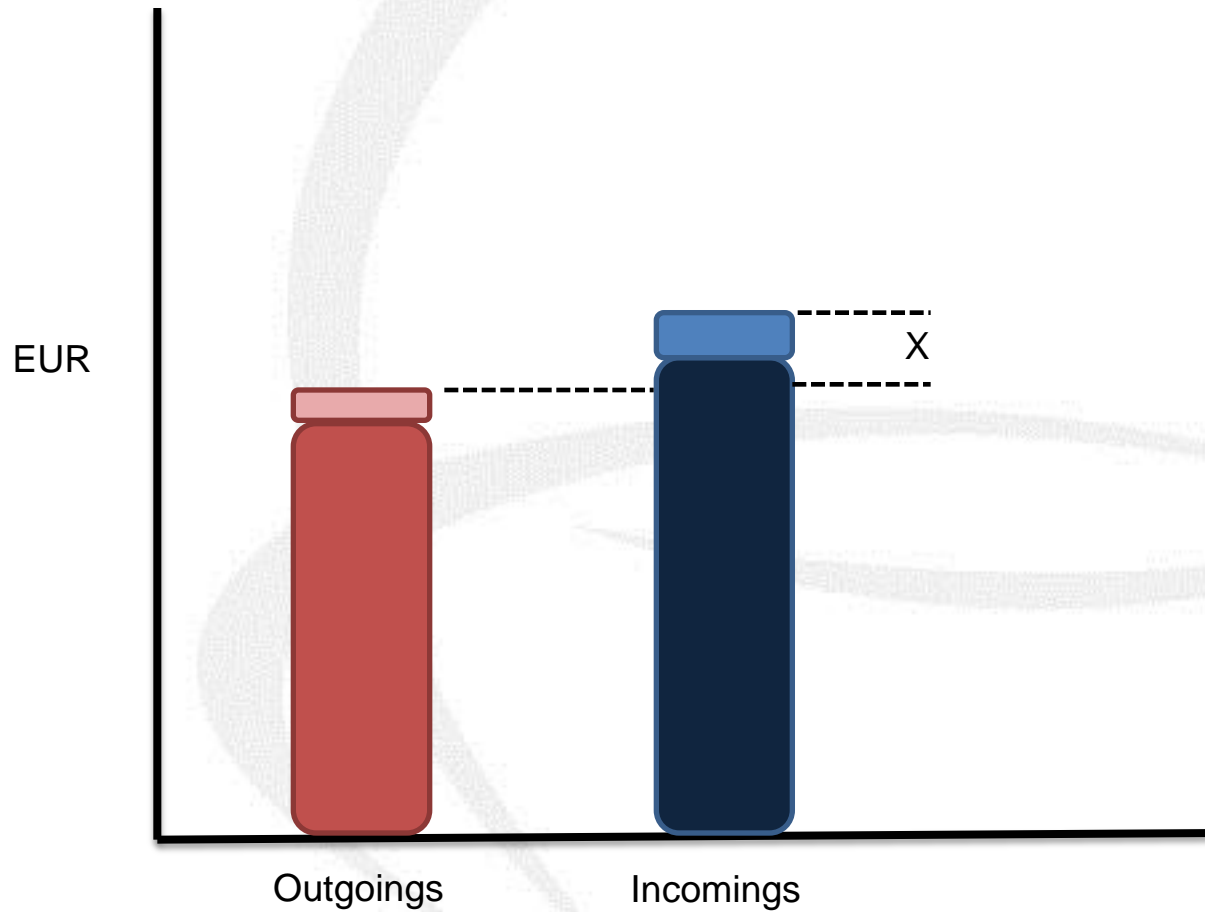
Comment

The TSO has some other costs / revenues to be included
E.g. fixed costs,
financing,



Lets look at an example Gas Day

Comment
The TSO has surplus of "X" for this Gas Day. This amount to feed into neutrality mechanism



Framework Guideline Principles of the balancing neutrality mechanism

- The TSO shall be cash neutral with respect of all its balancing activities, undertaken in its role as the system residual balancer
- The TSO shall levy imbalance charges directly on the network users that were out of balance at the end of the balancing period
- The TSO shall only recover from all network users, any costs incurred from undertaking balancing activities that are not directly attributable to a network user
- The balancing neutrality charges shall be kept separate from other transmission charges

A neutrality mechanism is therefore required to satisfy these requirements

Additional Principles for Consideration

High Level Principles

- A balancing neutrality mechanism will be used to enable the TSO to recover and appropriately apportion charges and revenues related to its balancing activities
- The apportionment of charges and revenues to all network users will be based on each network user's usage of the system within the balancing period

Do stakeholders feel that such principles are appropriate?

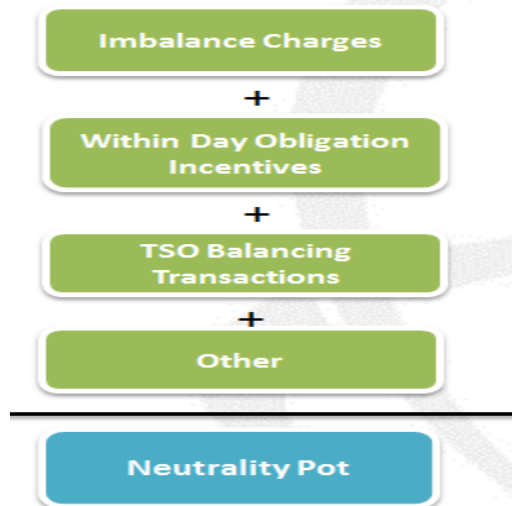
Types of Neutrality Mechanism

Identification of Balancing Neutrality Mechanism structures

- The Neutrality pot should apportion costs fairly – where there is WDOs and balancing actions that can be attributed to end of day or within day separately a dual balancing neutrality mechanism may be considered
- This might look like:

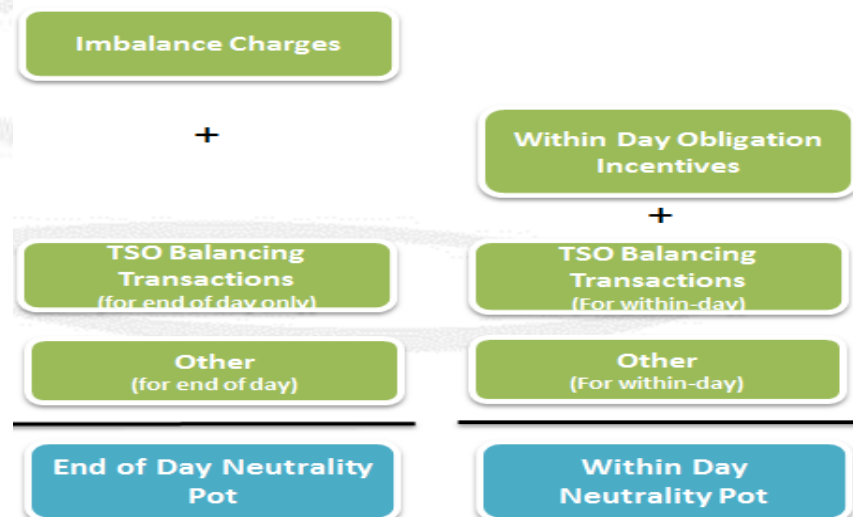
Single Balancing Neutrality Mechanism

TSO Financial Transaction



Dual Balancing Neutrality Mechanism

TSO Financial Transaction



Recovery of the Balancing Neutrality Charge

Neutrality Charging Application

- The balancing neutrality charge to be recovered or credited shall be the difference between the amounts received and the amounts payable by the TSO in respect of all the applicable balancing charges
- For each balancing period there is;
 - A net neutrality amount for each neutrality pot constructed, which equates to all balancing payments due to the TSO less all receipts due to the TSO
 - The net neutrality amount will be divided pro rata amongst network user based on their total usage of the system for the considered pot.
- Each network user shall pay to the TSO or (as the case maybe) the TSO shall pay to the network user the balancing neutrality charge in accordance with the invoice arrangements utilised by the relevant TSO/Network Users
- The mechanism must complement wider financial considerations, such as:
 - Default risk
 - Consideration of network users billing practices (do they invoice monthly, quarterly, etc).

Conclusions

- ENTSOG sees merit in having details in relation to a Neutrality Mechanism in the network code
- We have proposed additional elements for consideration:
 1. High level Principles
 2. Identification of balancing neutrality mechanism structures
 3. Neutrality Charging application rules