

Meeting notes

Balancing Network Code (BAL NC): Consultation Workshop 9 May 2012, 10:00-18:00

ENTSO conference centre, Brussels, Belgium

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| 23 | EnBW Trading | Holzer | Andreas |
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| 30 | Gas Natural Fenosa | Poblaciones Corencia | Rosalia |
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| 32 | Gas Transport Services | Egberts | Sandrie |
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| 36 | Gasunie Zuidwending B.V. | Bakker | David |
| 37 | Gazprom Marketing & Trading | Schmidt | Jan |
| 38 | GDF SUEZ Infrastructure branch | Coupaye | Noël |
| 39 | GIE | Palada | Philipp |
| 40 | GRTgaz | Bonnici | Daniel |
| 41 | IBERDROLA, S.A. | Nieto | Isabel |
| 42 | IFIEC | Meuzelaar | Dirk Jan |
| 43 | IFIEC Europe | Hoehn | Valentin |
| 44 | IP Systems | Molnár | Tamás |
| 45 | Ministry of Econ. Affairs, Agriculture & Innovation (NL) | van t Hof | Wim |
| 46 | National Grid | Shanley | Chris |
| 47 | NetConnect Germany | Alaerds | Stephan |
| 48 | NetConnect Germany | Frank | Torsten |
| 49 | Ofgem/ACER | Keyserlingk | Konrad |
| 50 | OGP GAZ - SYSTEM S.A. | Dąbska | Joanna |
| 51 | Polish Oil and Gas Company | Sieranski | Piotr |
| 52 | RWE Polska | Grzejszczak | Piotr |
| 53 | RWE Polska | Radziwonko | Anna |
| 54 | RWE Supply & Trading GmbH | Rose | Stephen |
| 55 | RWE/Essent | Stolk | Rainier |
| 56 | Snam | Gazzola | Marco |
| 57 | Statoil ASA | Sykes | Christiane |
| 58 | Swedish Energy Markets Inspectorate | Ter Bruggen | Björn |
| 59 | Thyssengas GmbH | Wachholz | Stefan |
| 60 | TIGF | Martin | Alexandre |
| 61 | Trans Adriatic Pipeline | Francesse | Cristiano |
| 62 | WINGAS GmbH | Kratzmueller | Wolfgang |

Welcome & Introduction

Stakeholders were welcomed to the event. Those stakeholders, who had accepted ENTSOG's invitation to present their key concerns/issues regarding the Draft Code issued for consultation, were thanked for their engagement and contribution.

1. Overview of Draft Code

ENTSOG provided a high-level overview of the Draft Code, outlining the elements of its key chapters. As reflected in the supporting document for public consultation, ENTSOG reiterated its openness to substantiated argumentation from stakeholders toward a refinement of the Draft Code.

2. Stakeholder perspective

Rainer Stolk, RWE Trading & Supply, presented preliminary views on where the Draft Code might be refined. These included: the TSO's use of short-term standardised products (STSPs) with reference to the merit order; the importance of both system level and individual network user information in enabling network users/shippers to have the primary balancing role and hence minimising the role of TSOs; the preference for the 'causer pays'/'cost causation' principle in managing within-day positions of the network to be enshrined in the balancing regime code; the trade-off between linepack availability and within-day obligations (WDOs) and an aspiration that the Draft Code text could be made more firmer and to include more of the good ideas that had been explored in the SJWSs. In the course of the presentation, RWE cited examples of the progress toward a liquid wholesale market made in the Netherlands under the new balancing regime, e.g. the migration of flow management responsibilities to network users has only triggered the TSO to take balancing actions, using the bid price ladder 19 times in a 130 period. It was suggested the new regime has resulted in a significant reduction in balancing charges to be paid to the TSO and a significant reduction in balancing cost overall. Rainer stressed the key role of information provision to enable network users to manage their exposures.

The subsequent discussion highlighted the interaction between the within-day and end-of-day suggesting that a more effective "causer pay" implementation may be possible within day than in respect of the end-of-day cashout mechanism; the critical importance of information provision to enable network users to manage their risks and opportunities and that many stakeholders would prefer a hardening of the text although caution was expressed about "hard wiring" too many elements into a code that would be difficult to change at a later date (suggesting that for many issues the use of incentives might be more flexible).

3. Operational Balancing

Colin Lyle, Chairman of the Gas Committee of EFET, presented preliminary views of the Federation members on where the Draft Code required refinement – in the Operational Balancing chapter among others. Colin noted, and agreed with the widespread view, that the Draft Code is headed in the right direction although he noted that challenges still remain in the detail. Concerns included: the wide discretion allowed to TSOs to reject nominations under Article 23; the need for a more binding merit order under Article 13, ensuring Balancing services are not contracted more than one year ahead and that the use of these services is limited and that a clear preference for the use of STSPs and particularly title products (with within-day preferred over day-ahead and weekend products is introduced; the importance of information in enabling network users/shippers in their balancing role and that the desired end-of-day linepack position is known to network users and that any charges arising from within-day obligations shall only arise when the system is under stress.

The subsequent discussion noted the inclusion of IP nominations/re-nominations and that any TSO curtailment of nomination rights would diminish the option value of holding capacity. It was noted that further consideration would need to be given to the alignment between the commercial product and physical operations.

It was also noted that the treatment of Balancing Services costs within neutrality will require careful consideration. Furthermore it was suggested that the merit order should be considered in the context of an overall cost minimisation objective function.

One participant indicated that whilst integrity of the system is paramount it is essential that we do not require too many safeguards which may frustrate the development of markets. Title market products should be the priority and that these can be used to induce flow rate changes at either entry or exit to the system.

It was also suggested that cost benefit analysis of more information provision should be done sooner than might be implied by the Draft Code.

4. Trading Platform

Aude Filippi, Powernext and representing Europex, presented preliminary views on the functioning of trading platforms in the Draft Code. Key points included: generally the code is good and supports market development; joint (TSO and TPO) responsibility in developing liquidity; the concept of Originating Participant is too restrictive and should be reconsidered; the good level of harmonisation/prescription of TPO elements in the code; the benefit of exchange-based trading in ensuring transparent and non-discriminatory trading by the TSO for balancing purposes and that WDOs should be used only where necessary.

The discussion welcomed the development of the STSPs but stressed that the procurement and use of Balancing Services should be limited and always justified.

One participant asked whether REMIT has any specific implications in the context of the 4 STSPs; another cautioned about the expense of exchange based markets.

The general view seemed to indicate a preference for the early establishment of Trading Platforms capable of supporting all 4 STSPs rather than going through the intermediate stage of TSO operated Balancing Platforms.

5. Information Provision

Dirk-Jan Meuzelaar, USG and representing IFIEC, presented preliminary views on the Information Provision chapter of the Draft Code. The Federation members' key concerns included: a proposal for the supporting document, which accompanied the Draft Code, to be given a legal status in parallel to the code; the importance of information in enabling network users/shippers (and indirectly their customers) to reduce overall balancing cost; information will enable network users to take primary balancing responsibility and reduction and/or elimination of cross-subsidies; the need for a more binding mandatory merit order for STSPs; the value of network users incentive schemes, such as WDOs or within-day incentives (WDI) for appropriate balancing actions to be conducted during the day to prevent cross-subsidisation of costs for managing within-day positions of the network and reducing overall cost of balancing; a desire to "firm-up" on areas within the Draft Code.

IFIEC indicated that, at this stage, it was disappointed that many of its previously presented, constructive and discussed suggestions cannot be found in the Draft Code. Other participants maintained that the Draft Code was good although needing improvement. Attention was drawn to the multi-neutrality pot concept. This was conceived to address IFIEC's major concern about cross-subsidy within the regime and ideas about how that concept might be deployed are welcomed in the consultation.

Some participants also felt that IFIEC's criticisms related to key policy decisions taken in the Framework Guidelines rather than the next level choices made in delivering the Draft Code.

Further articulation of requested changes and associated rationale and evidence will be welcomed in consultation responses.

Paul de Wit, Alliander and representing the Eurogas DSO Committee, also presented preliminary views on the Information Provision chapter – and the implied obligations for distribution system operators (DSOs). Their key points included: the information and communication technology (ICT) costs that the current Draft Code – and any expanded one – would place on DSOs; the complexity of intra-day metering; and the complexity of determining the quality of load profiles.

In the Q&A session which followed, ENTSOG re-stated, as in the supporting document itself, that the supporting document will have no legal status relative to the Draft Code.

The debate recognised the necessity about starting early to develop good algorithmic demand attribution approaches that would deliver high levels of accuracy by late this decade where such approaches are not already applied. It was also suggested that it is not necessarily essential to have high numbers of DM/IDM to generate viable processes to support daily balancing regimes. Some participants noted that forecasting and allocation processes should use similar processes/algorithms and that this would enable high accuracies between forecasts and allocations of NDM portfolio demands. The use of city gate measured info should ensure that aggregated demands are measured accurately; attributing this demand via algorithmic approaches should then be sufficiently accurate to ensure acceptable risks to network users. Others suggested far more load should become IDM citing that battery technology should be improving. However, it was suggested that the logistics of battery changing is not trivial and requires very careful consideration giving that electrical supply to metering systems can often be difficult and expensive.

6. Daily Imbalance Charge: cash-out and links to information provision

ENTSOG gave a presentation on daily imbalance calculation and settlement and the link to information provision in response to requests for clarification from stakeholder prior to the Workshop. The option of introducing Information accuracy incentives for NDM Advisory Forecasts within the code was also discussed.

A stakeholder queried whether there might be additional criteria for the selection of the information model used and referred to Variant 2 i.e.?

It was also queried what level of actual flow information will have to be published under REMIT.

The Small adjustment in the calculation of the marginal price was discussed; one player suggested fixed % basis perhaps subject to a cap; ENTSOG asked stakeholders to set out and elaborate any ideas they may have and test them against issues such as cross borders differences.

7. Neutrality

Kees Bouwens, ExxonMobil and representing the OGP, presented several 'worked examples' to demonstrate how the Draft Code, while seemingly brief, could accommodate more sophisticated neutrality schemes being introduced in national balancing regimes.

The presentation and subsequent discussion highlighted the following issues for consideration in the establishment of any neutrality scheme: whether day-on-day linepack change should be separately identified and treated distinct from other neutrality elements; the time period for each neutrality calculation (e.g. daily/monthly/longer); the invoicing frequency for neutrality; the possible separate identification of balancing costs to address

NDM Derived Forecast inaccuracies; the cash-flows that might be associated with WDOs; then cost attribution of Balancing Services via neutrality.

8. Other areas / issues / requests for clarification

ENTSOG made an open call to the stakeholders present to make additional requests for clarification or to communicate initial views on the chapters of the code. Topics raised included, among others: the definition of marginal price; WDOs; the need for consistency of nomination rules across network codes; the challenges for aligned nominations at “Connection points,” i.e. interconnection points between Member States and non-EU countries.

It was noted that the Energy Community countries, many of which border the EU, have adopted the Third Package and have committed to implement it by 2015.

9. Interim measures

In response to requests for clarification from stakeholder prior to the Workshop, ENTSOG provided a brief overview of the NDM Forecast Deviation Adjustment introduced in the Draft Code. A table was presented allowing stakeholders to work through examples and see how they relate to the legal text.

It was noted that the NDM Forecast Deviation Adjustment approach is based upon daily forecasts and allocations. It is recognised that the algorithmic approach used in both before and after the day forecast mode (NDM Derived Forecasts and NDM Exit Allocations) lends itself to deliver computationally efficient reconciliation processes when actual metering based consumptions are available at individual NDM points. It was noted that these downstream processes are considered to be out of scope of the Balancing network code.

10. Next steps

ENTSOG presented a review of the BAL NC development process and the key stages for stakeholder feedback. ENTSOG explained that the Draft Code should be considered a ‘strawman’ which will be refined where stakeholders provide evidence-based arguments. ENTSOG also contrasted the Feedback Phase of the process to the Refinement Phase, which will include the Stakeholder Support Process and the issuing of a Refined Draft Code.