BAL NC Consultation Workshop

BAL282-12
09 05 2012

Venue: ENTSO conference centre (ground floor), 100 Av. de Cortenbergh, B-1000 Brussels

AGENDA

Wednesday, 9 May 2012, 10:00-16:00

No.	Description	Presenter	Time
	Registration and pre-workshop coffee		**from 9:30**
0.	**Welcome**	**Nigel Sisman**	**10:00-10:05**
1.	**Overview of Draft Code**	**Noel Regan**	**10:05-10:40**
2.	**Stakeholder perspective on the network code** • Feedback from the Workshop	**Rainer Stolk, RWE** **All**	**10:40 – 11:00**
3.	**Operational Balancing** • Balancing actions • Product definition • The merit order • Clarifications / new perspectives / discussion	**Colin Lyle, EFET** **All**	**11:00 – 11:30**
4.	**Trading Platform** • Platform operators feedback • Discussion	**Aude Filippi, Europex** **All**	**11:30 – 12:00**
5.	**Information provision** • Stakeholder perspective • DSO perspective • Clarifications / new perspectives / discussion	**Dirk-Jan Meuzelaar, IFIEC** **Paul de Wit, Alliander** **All**	**12:00-12:45**
	Lunch		**12:45-13:30**
6.	**Imbalance & Cashout and links to information provision** • Clarifications • Discussion	**Noel Regan** **All**	**13:30-14:00**
7.	**Neutrality** • Clarifications • Discussions	**Kees Bouwens, Exxon Mobile/OGP**	**14:00-14:20**
8.	**Other areas / issues /clarifications** • Other pre-Workshop stakeholder feedback • Additional views	**All**	**14:20-14:45**

	Coffee		**14:45-15:00**
9.	**Interim Measures, Implementation**	**Nigel Sisman**	**15:00 – 15:25**
10.	**Next steps** • Engagement opportunities • Consultation feedback • Project timeline review	**Tori Gerus**	**15:25-15:45**
11.	**AOB**	**All**	
12.	**Close**		**16:00**


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Draft Network Code on Balancing – Overview

Consultation Workshop

Noel Regan

Adviser, ENTSOG

Brussels - 9 May 2012


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of transmission system operators
for gas
Gasum
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swedegas
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ENERGINET.DK
LIETUVOS DUJOS
premier TRANSMISSION
gaslink
nationalgrid
jordgasTransport
gasunie Transport Services
gas transport services
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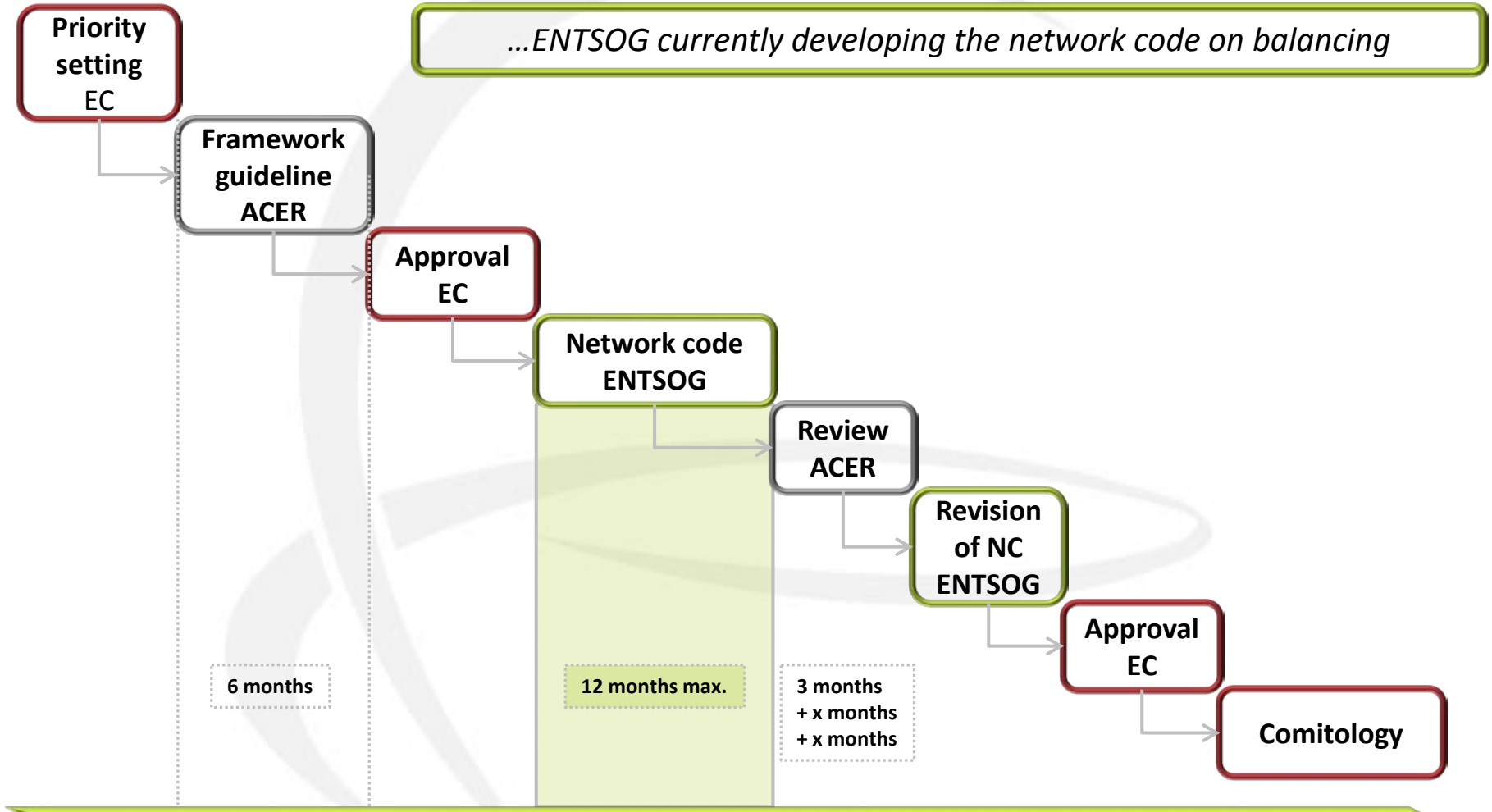
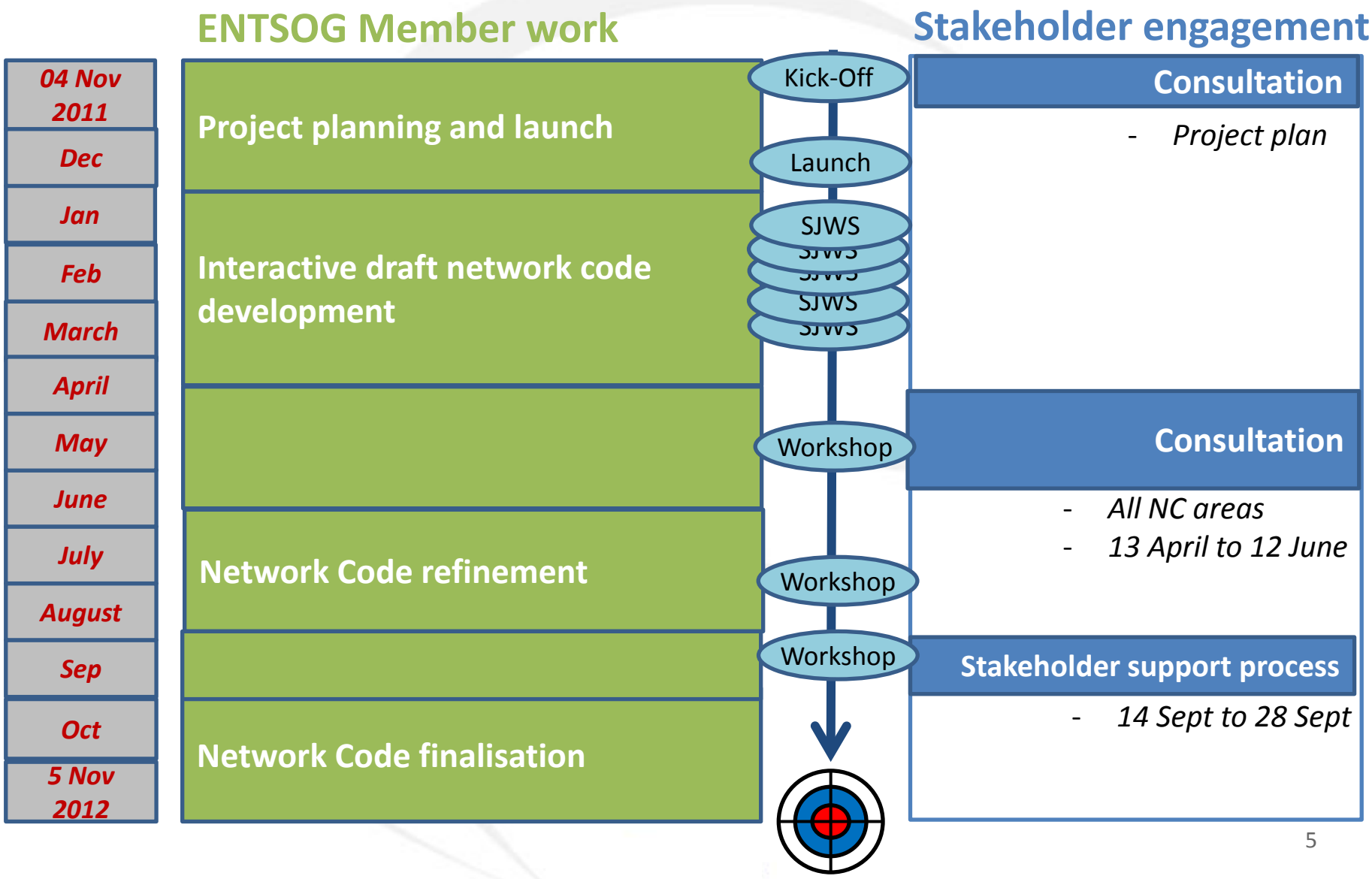
GAZ system
nowega
Open Grid Europe The Gas Wheel
FLUXYS
Thyssengas ERDGASLOGISTIK
GASCADE
creos
NET4GAS
bayernets
eustream SLOVAK GAS TSO
terranets bw
BOG GAS CONNECT AUSTRIA
GRTgaz
TAG
Plinovodi
TRANSGAZ MAGISTRALA ENERGIEI
plinacro
EDISON
Edison Stoccaggio Spa
TIGF
BULGARTRANSGAZ
REN Gasodutos
enagas
SNAM
SNAM RETE GAS
DESFA
39 Members and 2 Associated Partners in 24 EU countries
3 Observers from EU affiliate countries
- Gassco AS (Norway)
- Plinacro Ltd (Croatia)
- Swissgas AS (Switzerland)

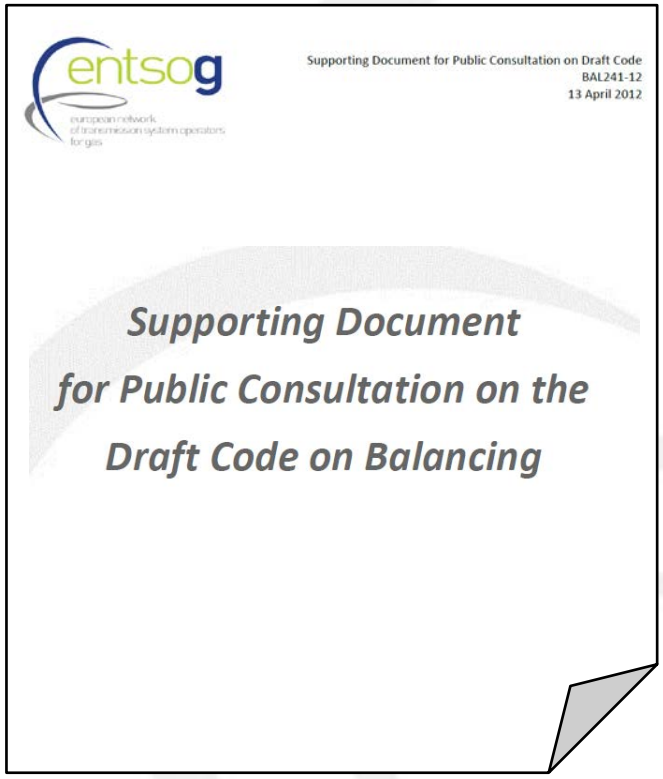
ENTSOG Network Code Development Process

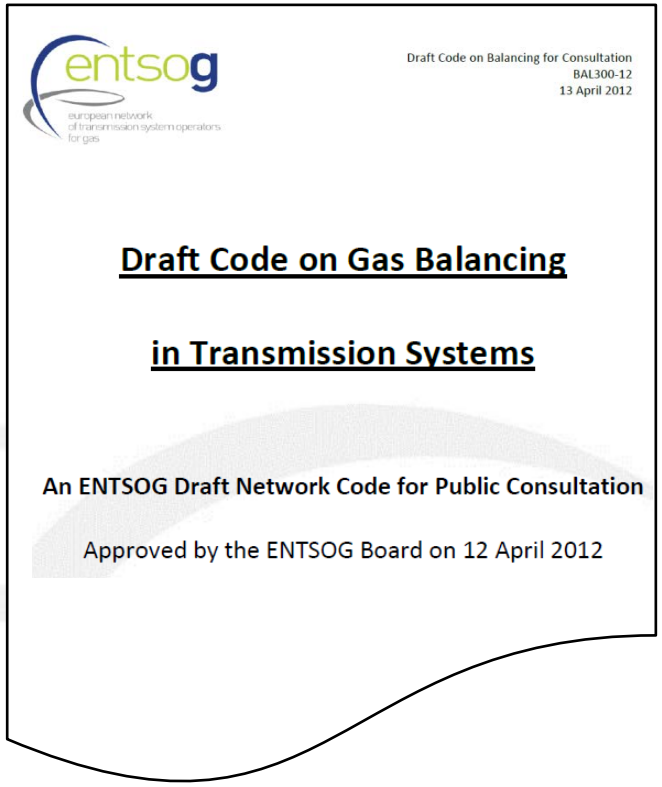


Development Process for Balancing Draft Code



Two-part Public Consultation Document





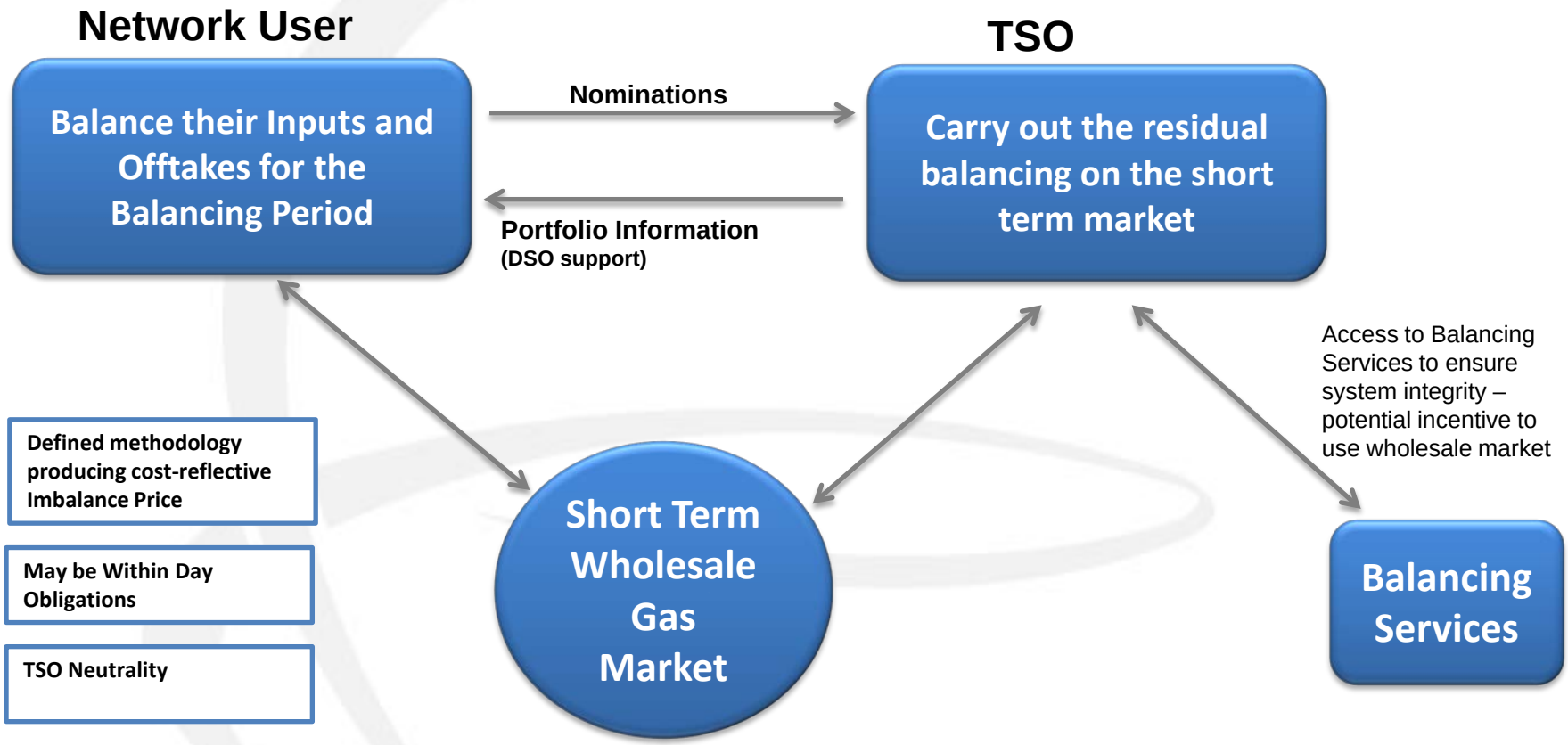
Precise consultation questions to yield focused responses

Introduction to the Network Code

- Aims to harmonise gas balancing arrangements to facilitate gas trading across Balancing Zones toward greater market integration

- Objectives
  - Primary responsibility on Network Users to balance their Portfolio
  - Reduce the need for TSOs to take Balancing Actions
  - Use of Short Term Wholesale Gas Market for Network Users to trade
  - Use of Short Term Wholesale Gas Market for TSO to take Balancing Actions
  - Harmonisation to promote cross-border trade of flexible gas

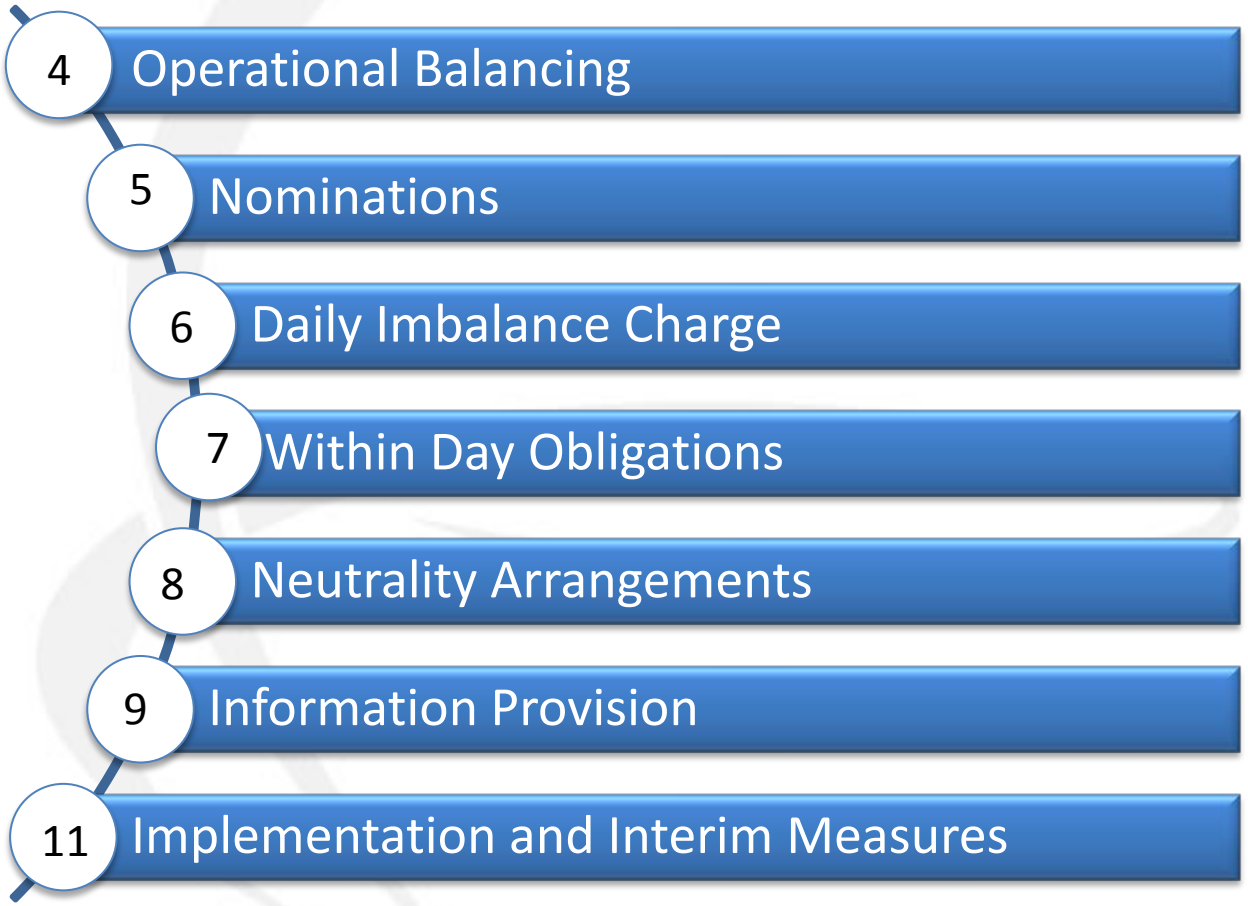
Balancing Target Model



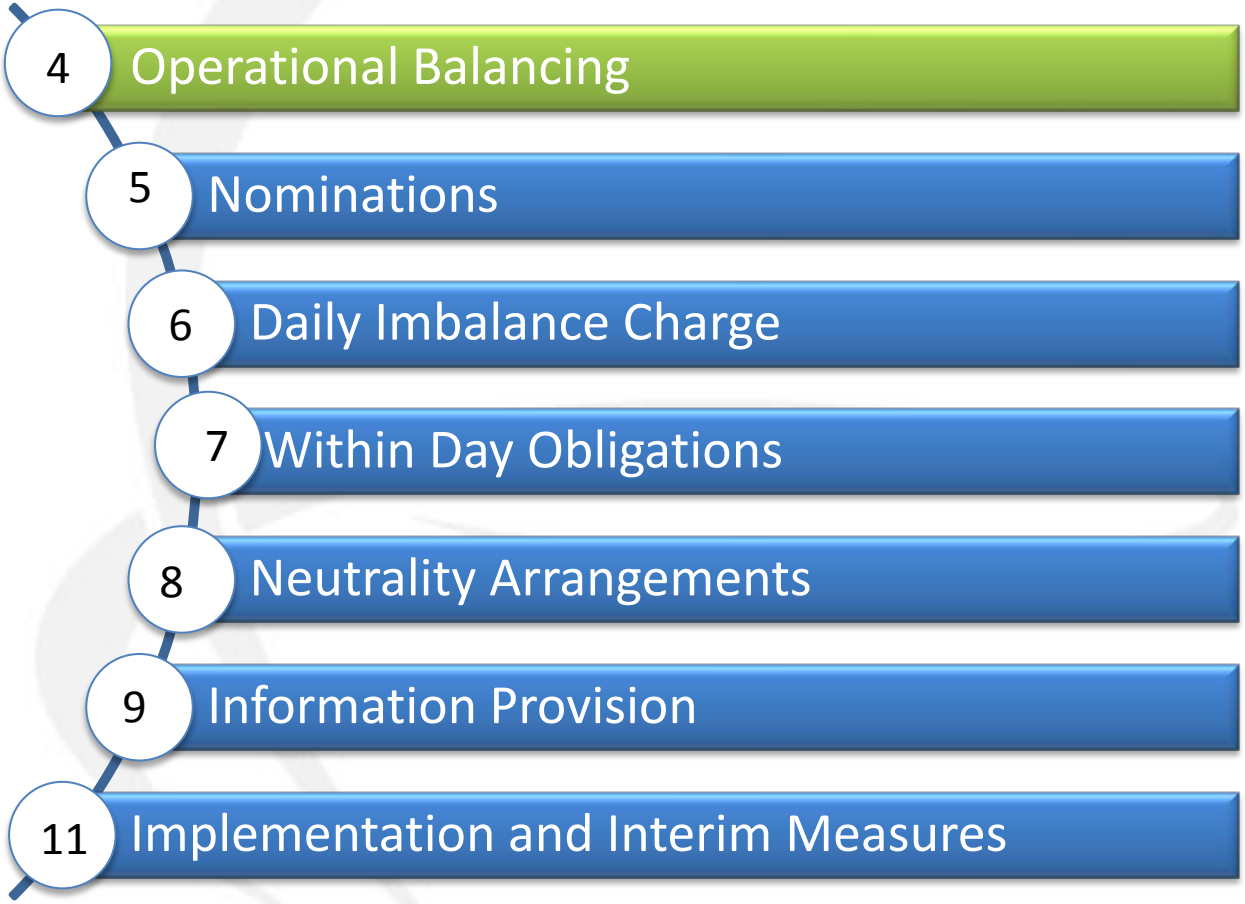
... the focus is on short term wholesale market and hub liquidity

Draft Network Code on Gas Balancing

Balancing Network Code - Contents

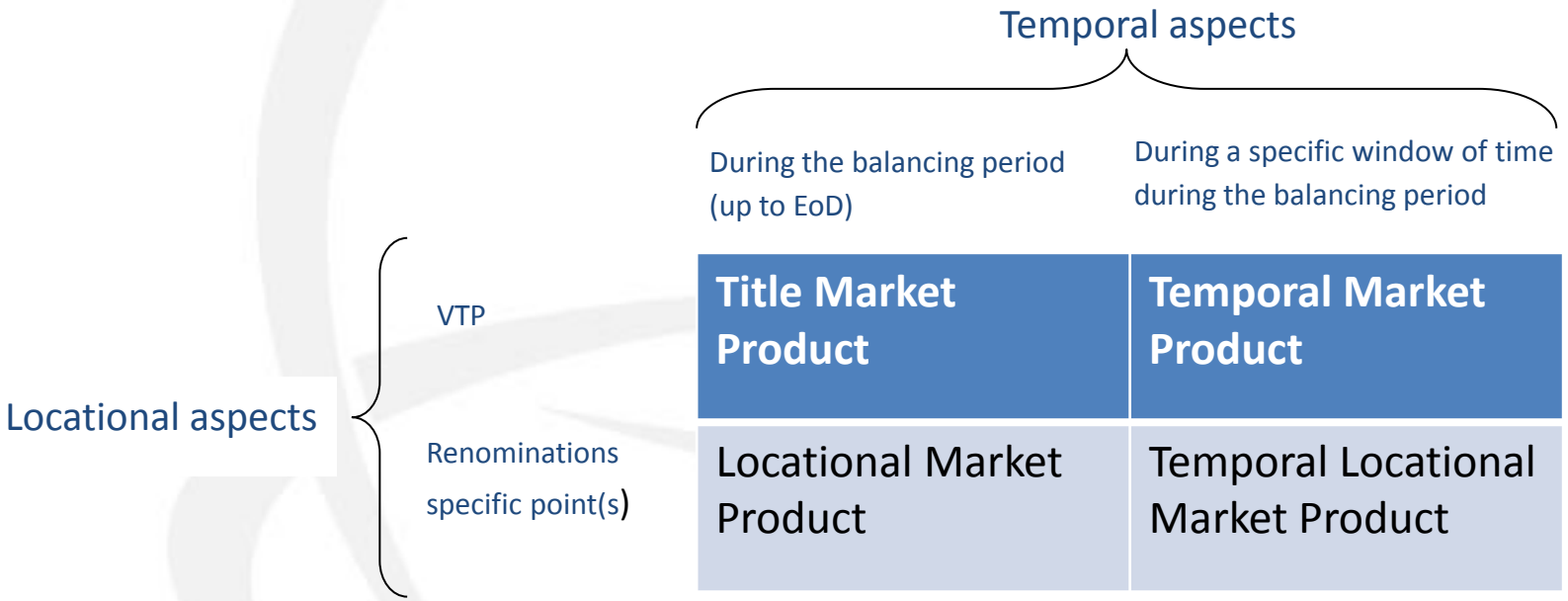


Balancing Network Code – Operational Balancing



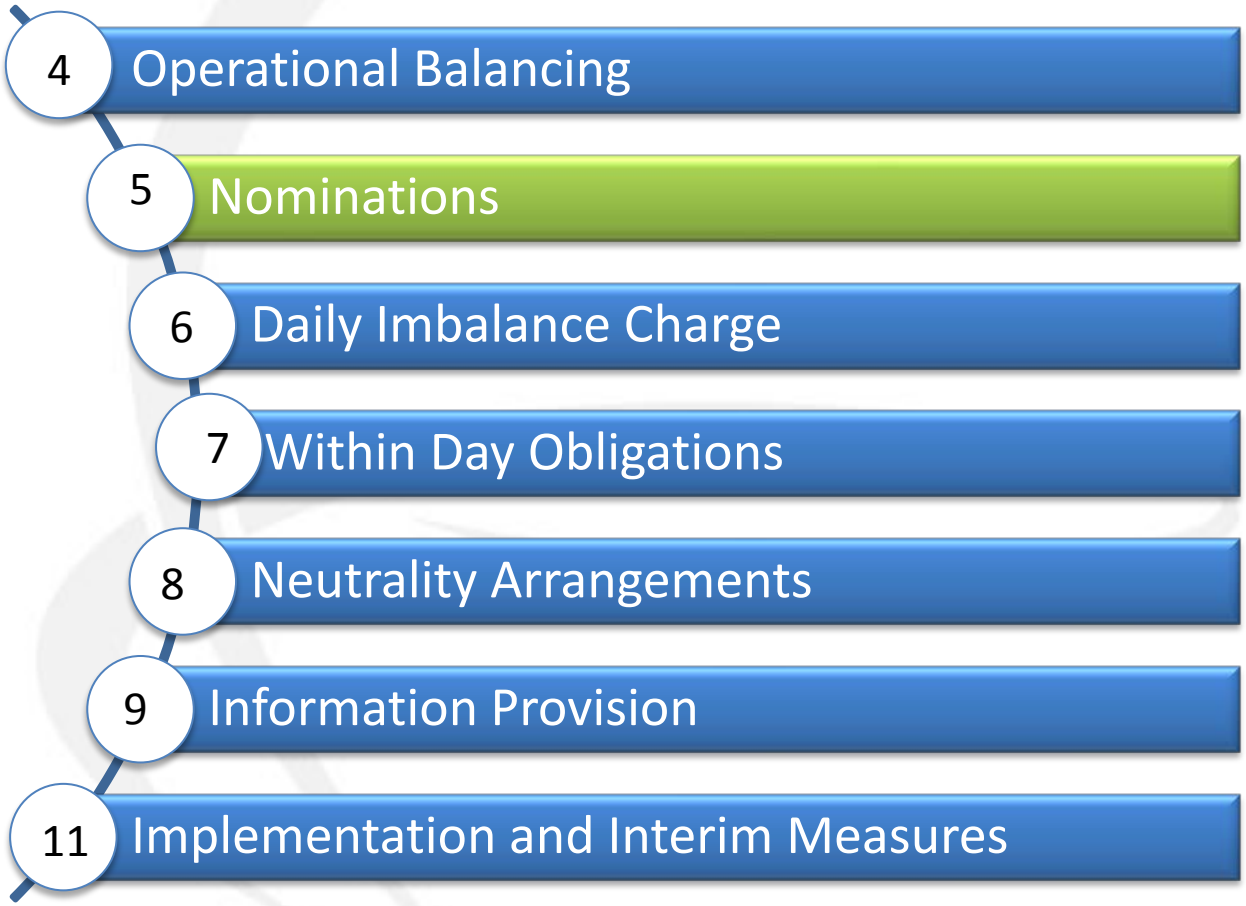
Operational Balancing

- The draft code introduces four Short Term Standardised Products that a TSO can use for Balancing Actions



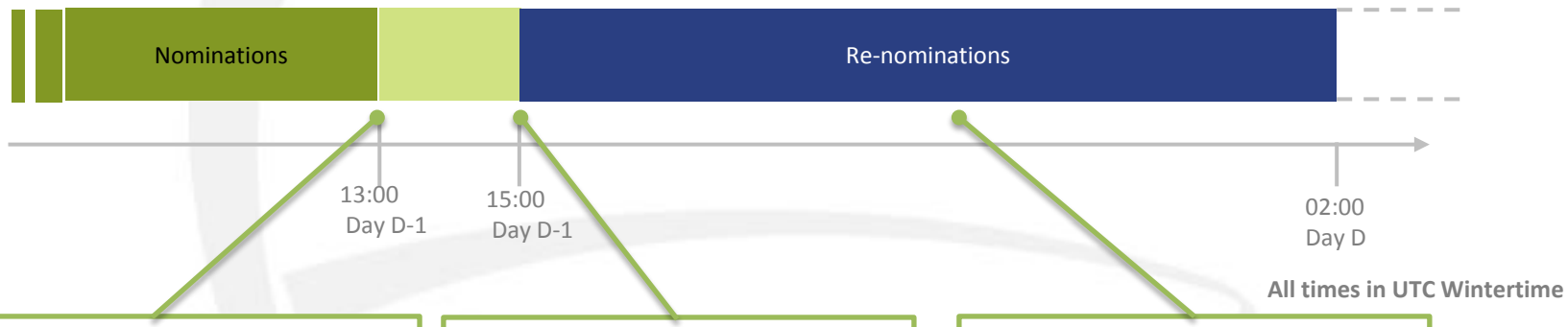
- The code also provides for the continued use of longer term Balancing Services for the TSO to operate the Network

Balancing Network Code - Nominations



Nominations

- The Draft Code proposes a harmonised nomination scheme across all EU Interconnections Points



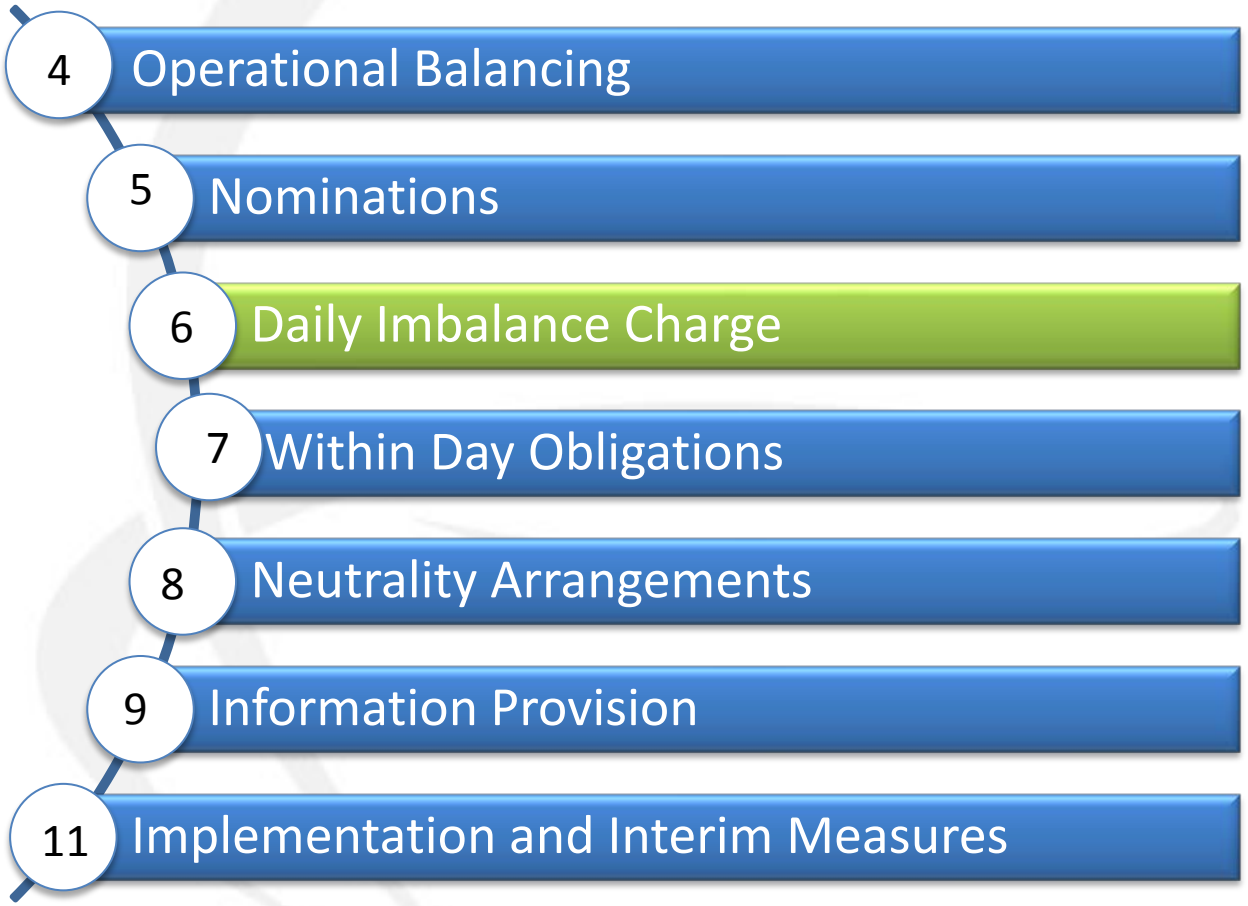
- Common nomination deadline
- Minimum information requirements

- Common confirmation deadline
- Rationale for rejection / partial acceptance

- Continuous re-nomination cycle

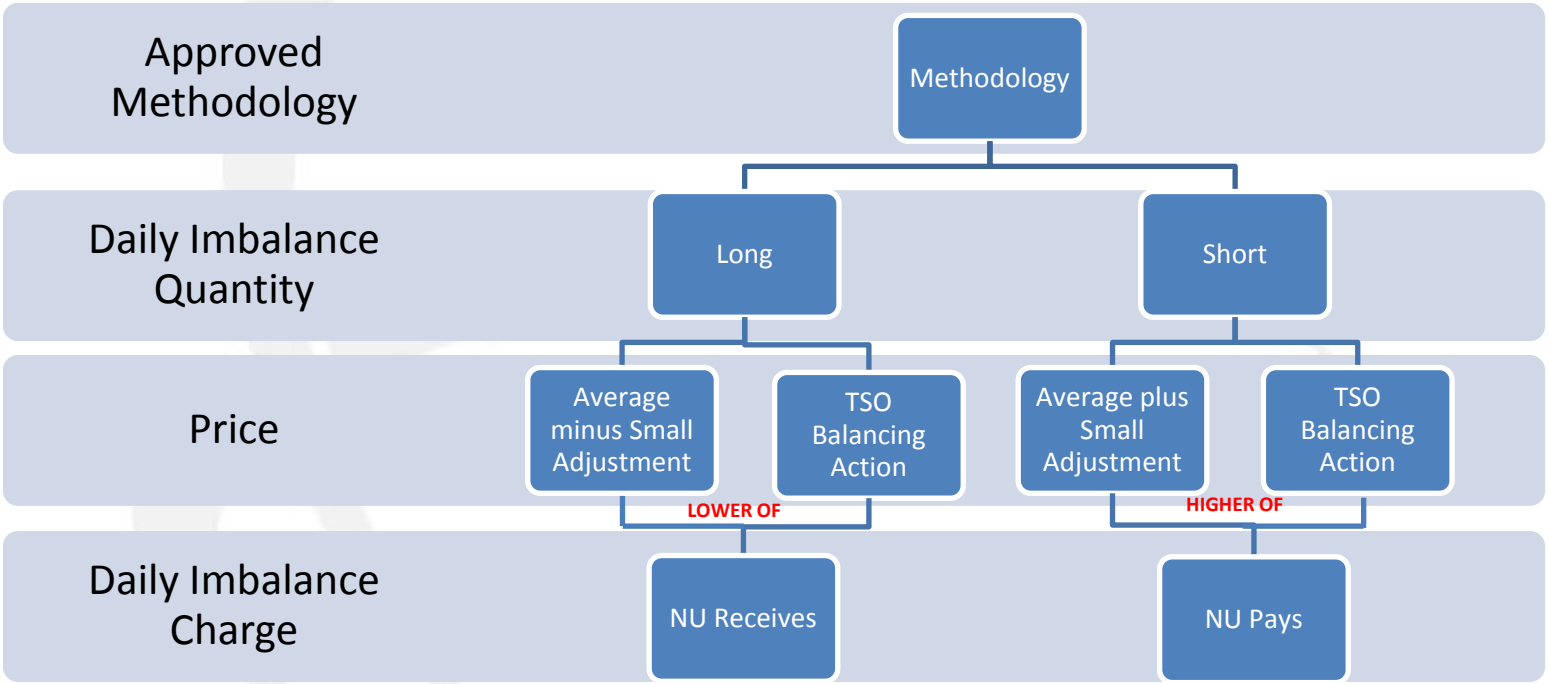
- Detailed Provisions set out in draft code

Balancing Network Code – Daily Imbalance Charge



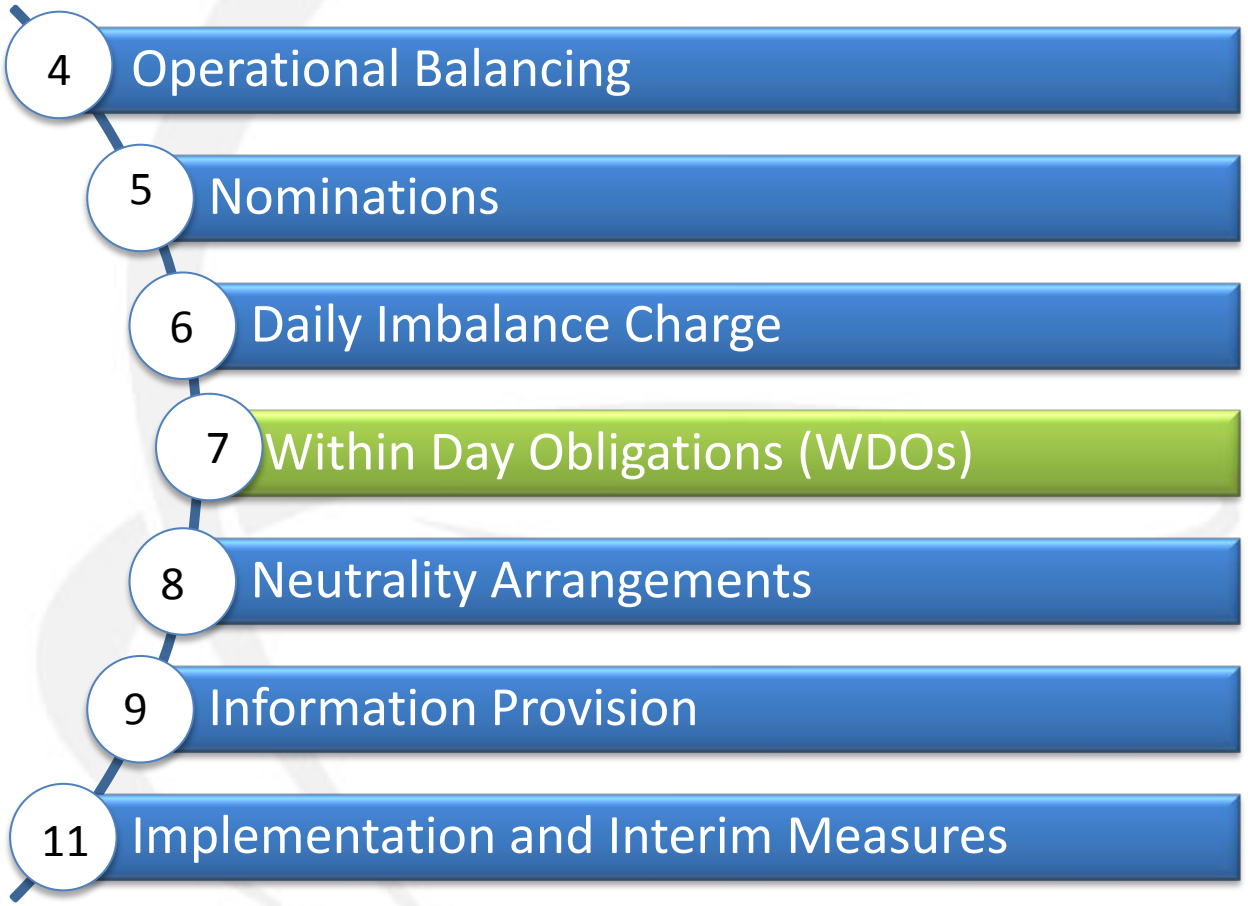
Daily Imbalance Charge

- Network Users are incentivised to balance their Inputs and Offtakes for each Gas Day within a Balancing Zone



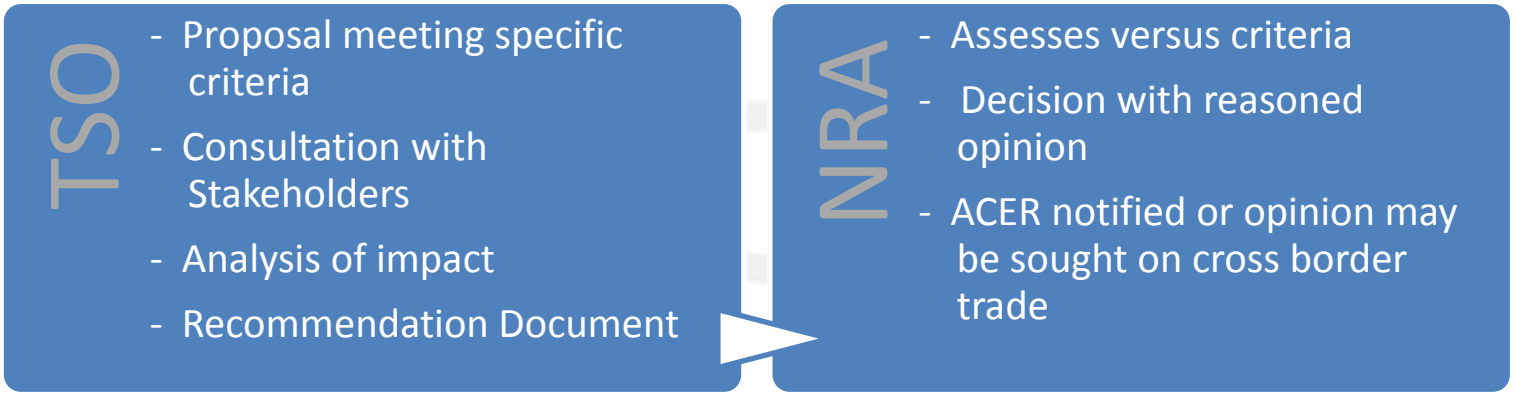
- Direct link to TSO Balancing Actions intended to target costs

Balancing Network Code - WDOs



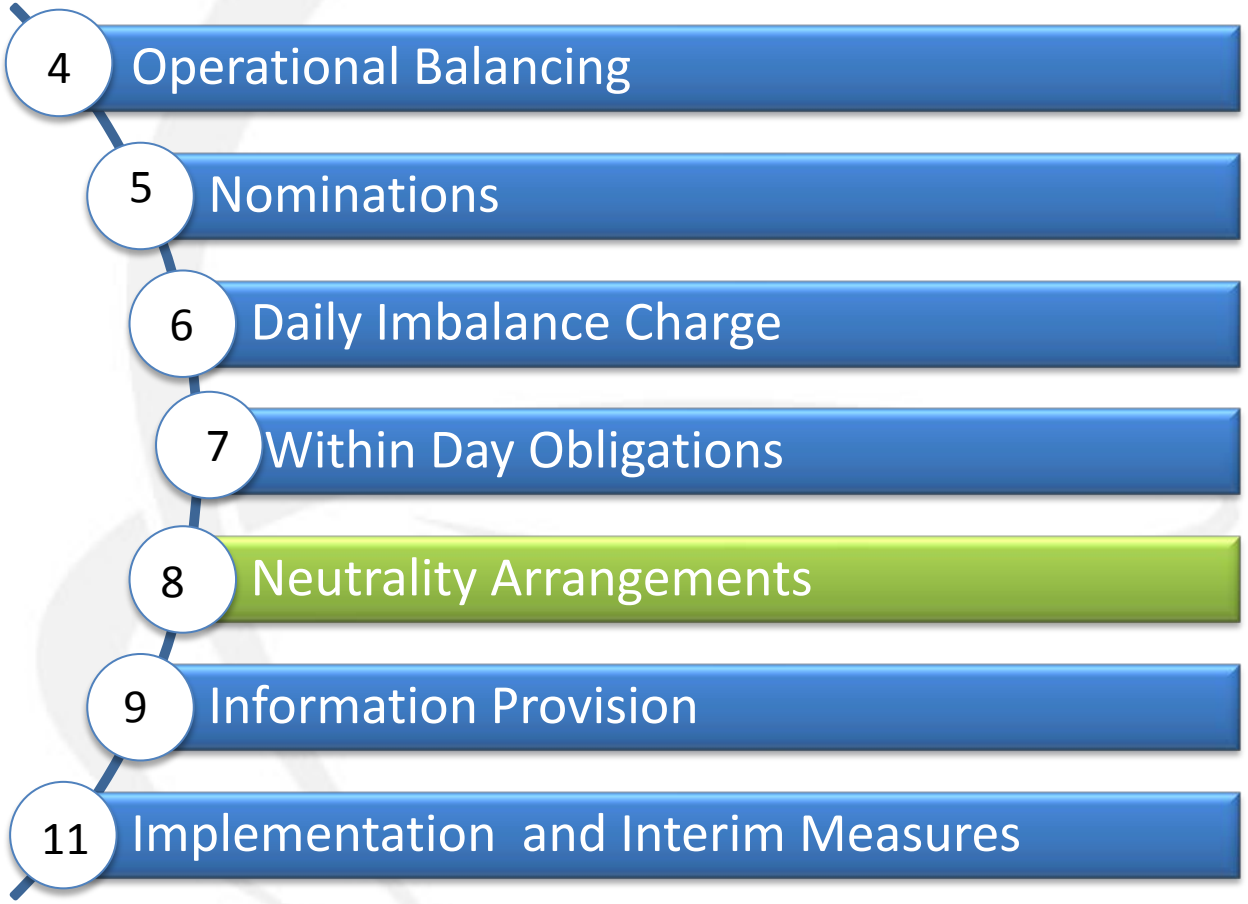
Within Day Obligations

- The Draft Code sets out a detailed process the TSO must undertake in order to implement a Within Day Obligation
  - Ensuring System Integrity
  - Minimising the need for TSO to take Balancing Actions



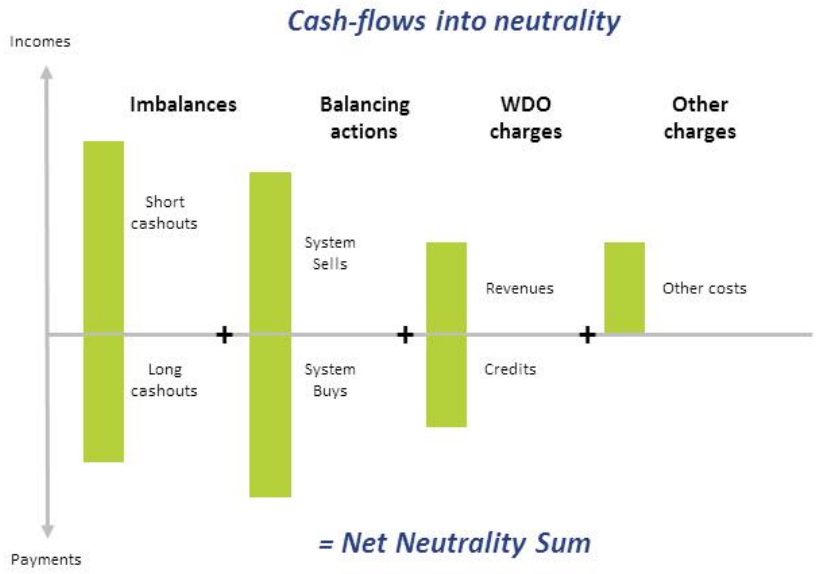
- Existing WDOs must now also undergo such an assessment

Balancing Network Code – Neutrality Arrangements



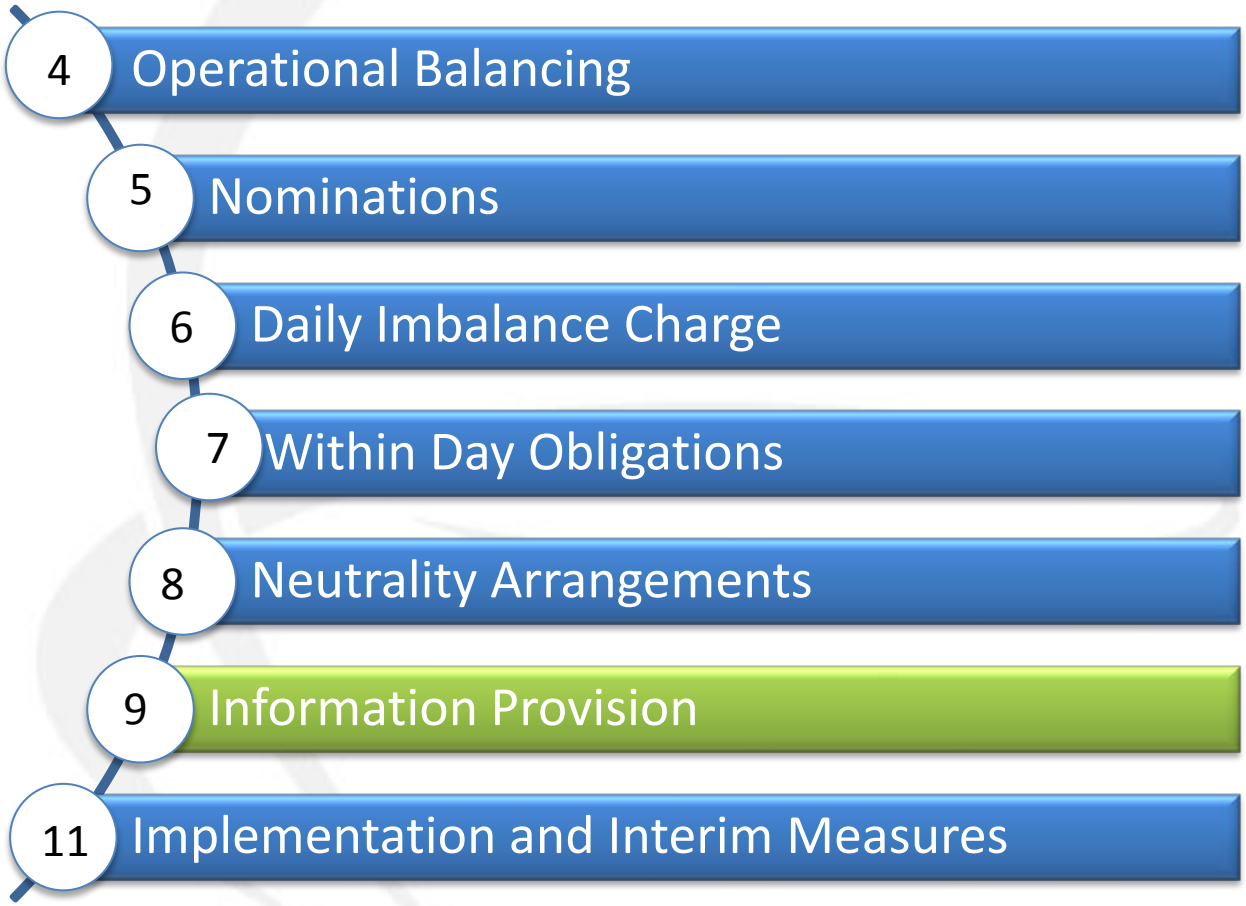
Neutrality Arrangements

- TSO does not gain or lose from Balancing Activities
- Neutrality Charges to deliver this

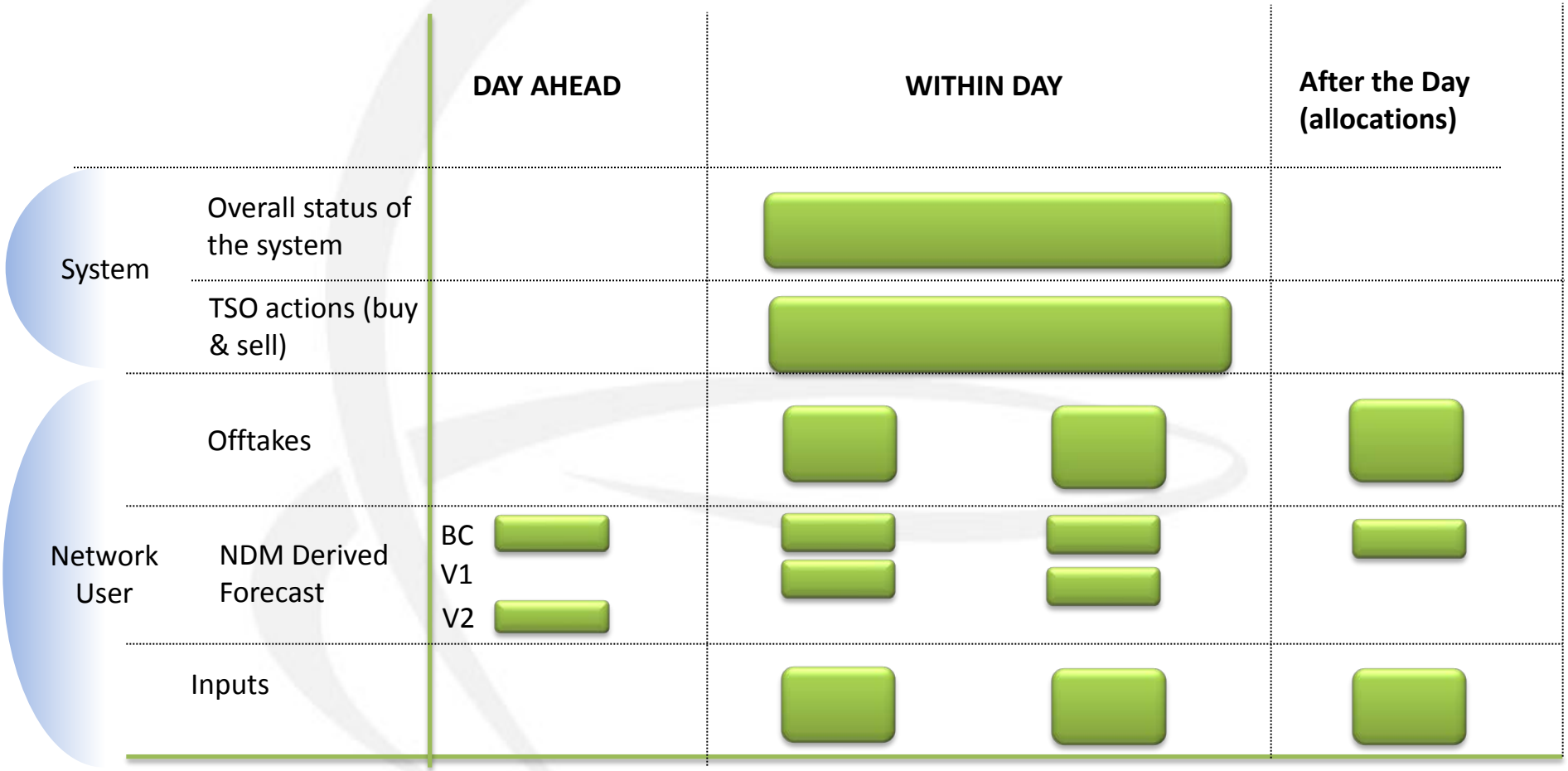


- Provisions on transparency added in response to stakeholder feedback
- Enabler clause for better cost targeting to reduce cross-subsidies, where relevant

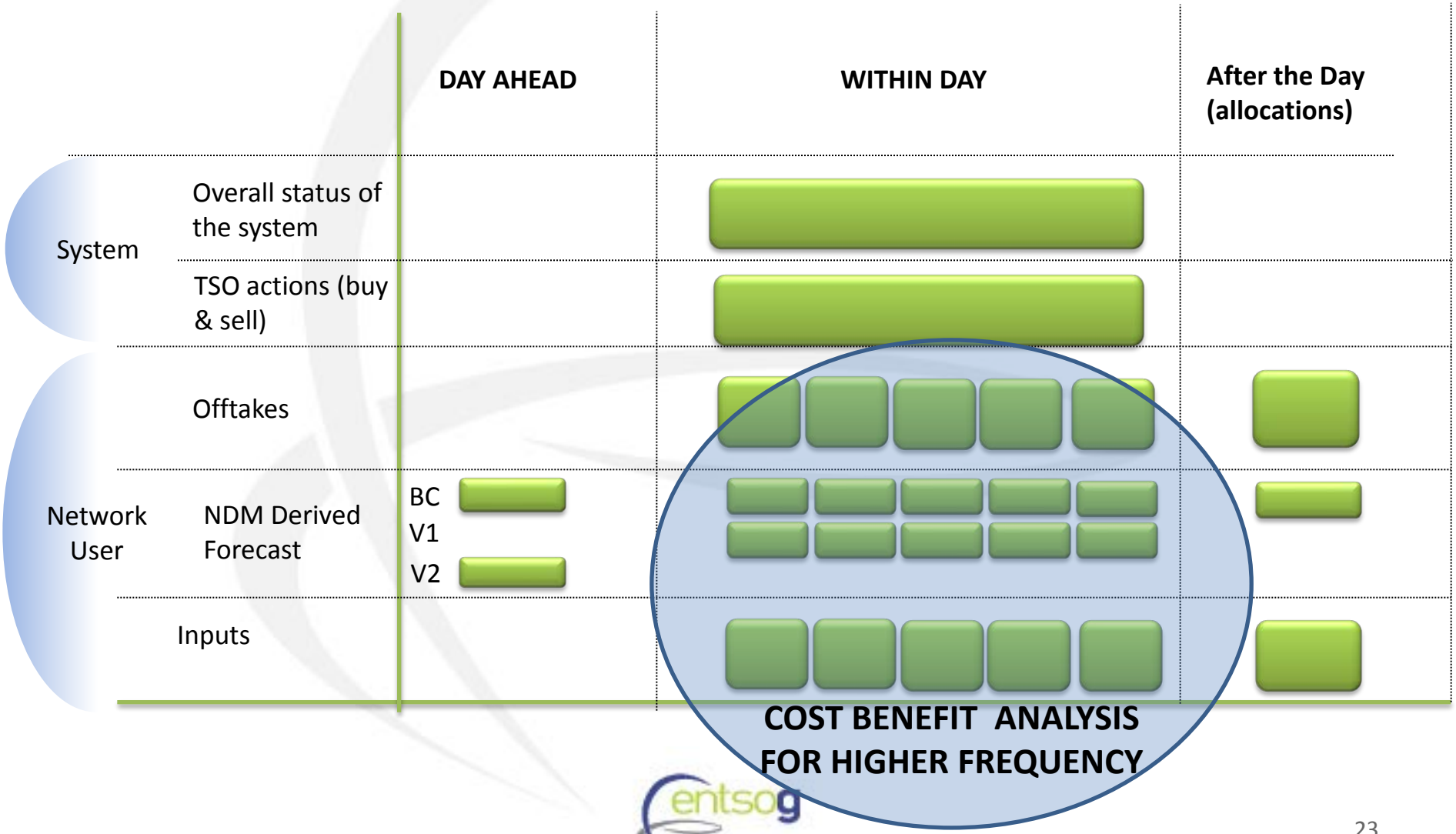
Balancing Network Code – Information Provision



Information Provision



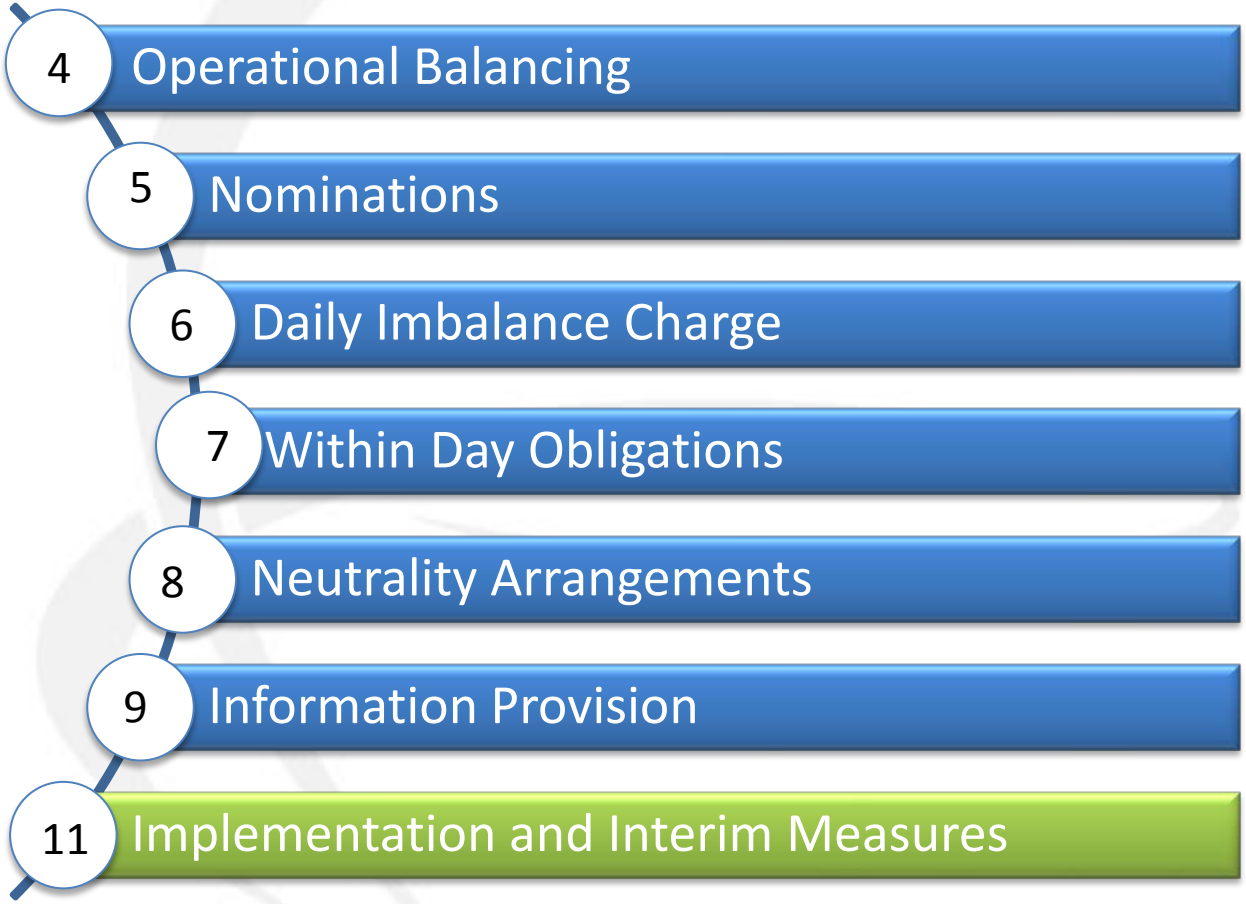
Information Provision



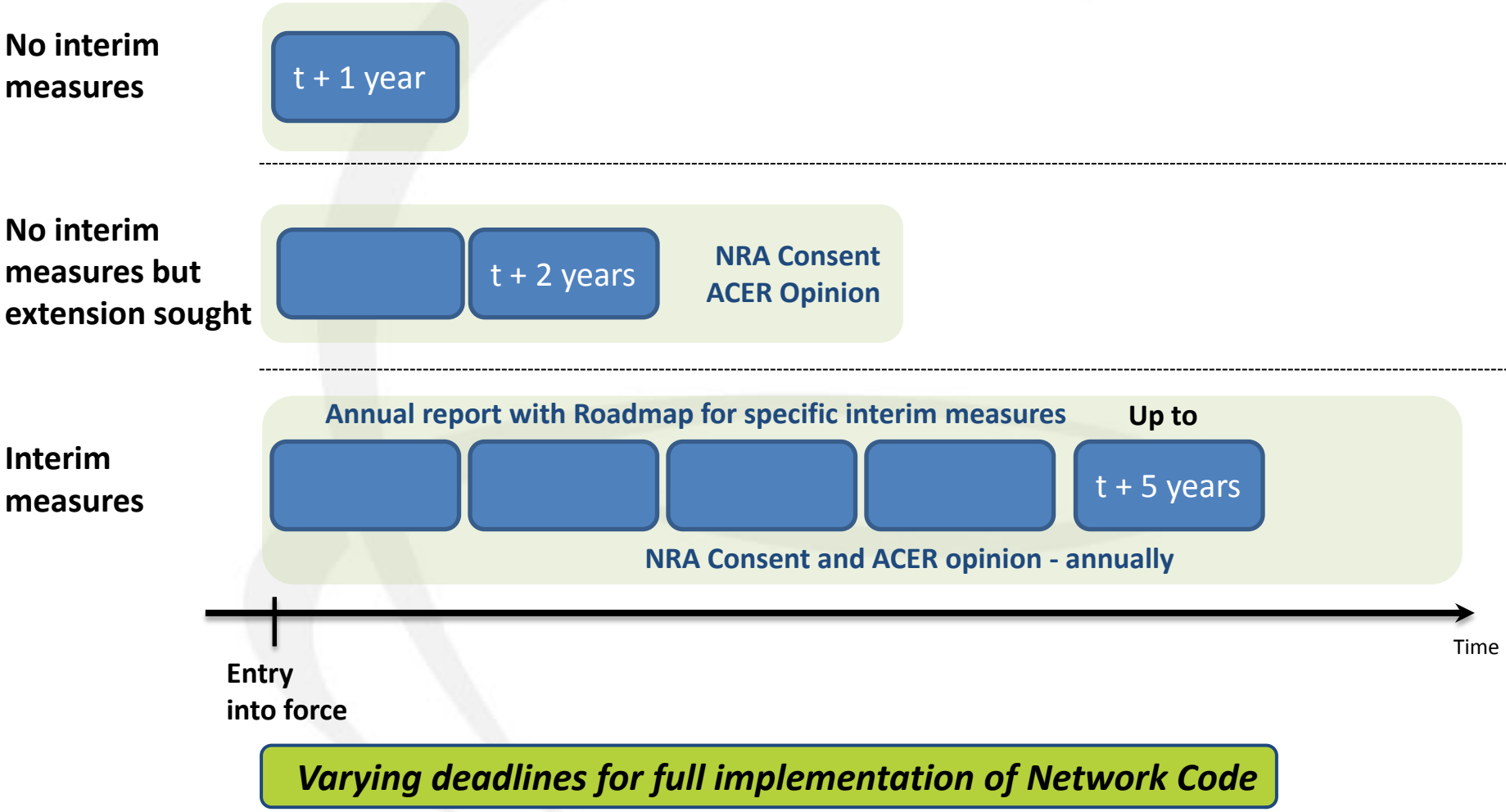
Information Provision

- Sets out interactions with DSO
- New role of Forecasting Party detailed
- Specific Provisions on NDM Derived Forecast
  - Should use Load Profiles
  - Methodology must be publically consulted upon
  - Report on accuracy every two years
  - Potential Accuracy incentive

The Balancing Network Code

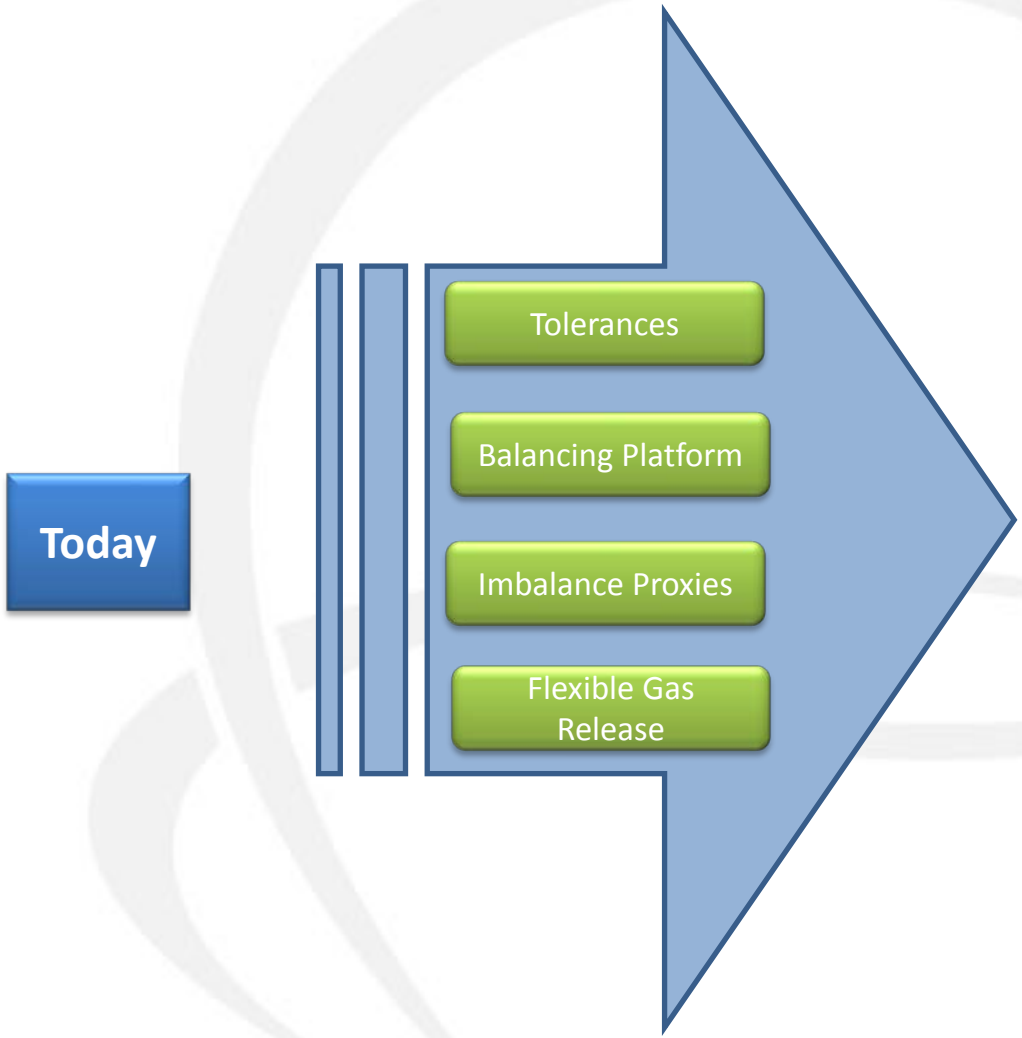


Possible Implementation Timelines



Varying deadlines for full implementation of Network Code

Implementation and Interim Measures



Multiple steps may be necessary:

- Roadmap approach
- Assessment at each stage
- Market player and TSO evolution

evolution as confidence develops and criteria satisfied

Remaining Sections

2. Balancing System

- Responsibilities
- Rules on trading

3. Cross Border Cooperation

- TSO Role
- ENTSOG Role
- NRA
- Role
- ACER Role

10. Linepack Flexibility Service

- Prior approval of NRA
- Conditions for Provision

Stakeholders Responses

- Stakeholder feedback essential
- Consultation closes 12 June

Thank You for Your Attention

ENTSOG -- European Network of Transmission System Operators for Gas
Av. de Cortenbergh 100, B-1000 Brussels

EML: noel.regan@entsog.eu

WWW: www.entsog.eu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Stakeholder feed back

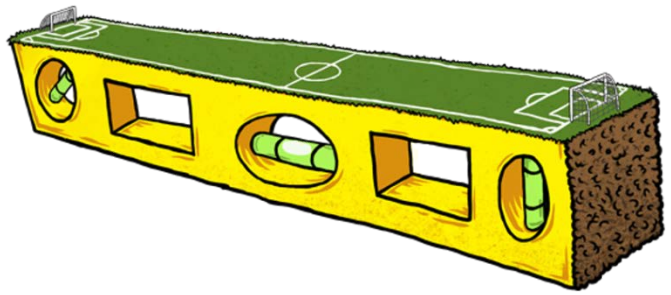
Draft Code on Gas balancing in Transmission systems

Brussels
May 9th 2012

RWE
The energy to lead

Why, Frame work guidelines?

- Gas markets in Europe are fragmented
- Several balancing zones
- Many states no regular information during balancing period
- TSO undertake most of the balancing actions
- Imbalance cost do not reflect balancing cost
- Cross subsidies



No level playing field

Starting point

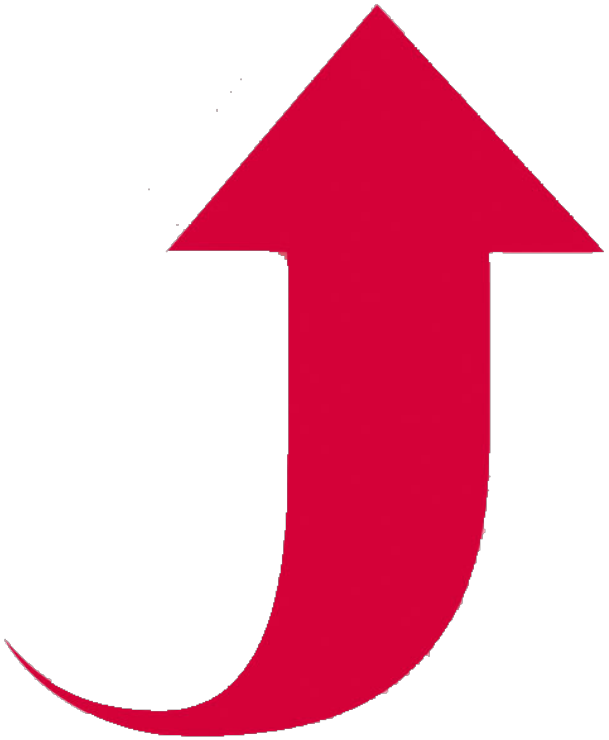
Draft balancing code based on FG principles

- Market based
- Harmonised balancing period
- End of day settlement
- Sufficient information
- Short term standardised products
- Imbalances charges

How to achieve?

Entsog translation

- Market based
- Primary responsibility by network users
- TSO only residual balancing
- Causer pay principle
- Short term standardised products
- Merit order
- Information provision



Great job!

Do Network users become primary responsible?

- If TSO uses a balancing service while STSP are available?
- Entsog admits in support document, they consider this as non market based
- Why not a binding merit order
- Replace "*shall seek to prioritize*" with "*TSO must use STSP if available*"

Can Network users become primary responsible?

- How can a network user act if he is not aware of his position?
- How to avoid undue cross subsidisation?
- How to apply causer pay principle?
- Target -> binding information for balancing purposes
- Do we need to wait two years to assess the benefits of more information provision?

No black box!

Information is crucial to become a prudent shipper

Tasks of a TSO

- Above all responsible for system integrity
- Facilitate a free market - enough capacity and a single balancing zone for transmission and distribution
- Should only be responsible for residual balancing
  - If not enough line pack available, WDO should be considered
- Procure as much as possible short term standardised product
- Minimise the amount of long term flexible contracts
- Supply sufficient information to network user to let them balance there own positions

Let shippers do their job

- Shippers want to take responsibility
  - Provide sufficient information
- Commodity is only a small part of the energy cost
  - Keep task TSO as small as possible, let shippers make the difference
  - The more confidence shippers have in being able to manage their imbalances the more markets they will enter, the greater the competition will be
  - Information lowers risk, so lowers prices and helps to keep the system integrity in place

Overall Conclusion

- Entsog have done a remarkable job, but the devil is in the detail
- Small adjustments can make codes even more in line with the FG which will increase harmonisation and competition
- If you want to make network user primary responsible, give them the right tools to do so
- Enhance the market by a mandatory merit order
- Keep tasks of a TSO as small as possible

Overall Conclusion

- Entsog l … n the detail
- Small ac … e with the FG which w …
- If you w … e, give them the right too …
- Enhanc …
- Keep ta …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Balancing Network Code Consultation Workshop

Brussels, 09 May 2012

European Federation of Energy Traders

Initial Reaction to ENTSOG Draft Balancing Network Code

Dr Colin Lyle
Chairman of the Gas Committee

Overall EFET support

We strongly supports the development of a

Market-based Balancing Network Code.

Positive overall assessment, especially of the provisions on:

- Nomination and re-nomination
- Short-term standardised balancing products,

and

- Standardisation of cash-out prices

Preliminary EFET assessment – High level

- **Replacing "TSOs shall consider" statements with the more assertive "TSOs shall"**, action not just talk.
- **Netting across balancing zones and TSO cross border balancing** should only be allowed as part of a defined plan to integrate markets.
- **Amending the chapter on within-day obligations**, as such obligations must not be introduced if network users cannot comply with them, for example due to insufficient information
- Introducing an **obligation on TSOs to use short-term products** whenever such products are available
- **Restricting the period of transition to the EASEE-gas re-nomination** to maximum two years

Preliminary EFET assessment – specific details

- **End of day linepack target should be pre-determined** and subject to NRA approval following consultation
- Merit order should **prioritize within day actions** over day-ahead
- Balancing services should be **publicly tendered and not exceed 1 year**
- Transitional renomination arrangements should allow for **at least 3 renominations within day**
- TSOs should **not reject renominations which are within a network user's capacity** holding based on physical constraints except for FM and emergency.

Preliminary EFET assessment – within-day obligations:

Current text falls short of ACER Framework Guidelines.

And Madrid Forum asked, "*NC to define clear and concise rules:*

1/ ***within-day obligations shall not be applied without the system being - or expected to be soon - out of the limits of its operational envelope*** *('no wido without system stress')*

2/ ***any within-day obligation needs to provide shippers with sufficiently early warnings that their current individual balancing position will - if not changed - lead to penalties due to a within-day obligation at a specified time"*** *(hour x).*

Thanks for your attention

European Federation of Energy Traders

Amstelveenseweg 998
1081 JS Amsterdam

Tel: +31 (0)20 5207970
Email: secretariat@efet.org
www.efet.org


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Preliminary views on draft balancing network code: Trading platforms

Brussels,

May 9th, 2012

Joint responsibility in developing liquidity

- Draft NC going in the right direction
  - Supporting market based balancing
  - Role of the WS market clearly recognized

- Developing liquidity on the WS market is a joint responsibility of the TSO and the TPO. The TSO has a role in:
  - Designing the balancing regime (e.g. sufficient provision of information to the network users, limit WDOs, impose adequate adjustments on cash-out prices, set short (re)nomination and trade notification lead times, …)
  - Trade the right products for its residual balancing in order not to split liquidity (merit order: title products preferred, justified and limited use of balancing services,…)
  - Trade directly on the wholesale market (no balancing platform if it can be avoided)

➔ Just to wait that liquidity is established to enter the WS market is not the right approach. Actions of the TSOs on the WS market has already proven to be a key factor to develop liquidity on new spot markets.

Need for harmonization

- The NC should only focus on the features of the TP that are key to allow the TSO to take its residual balancing actions:
  - describe the set of standardized products that TSOs can use according to their needs
  - establish the merit order for using them
- The NC should not be prescriptive on other aspects related to the TP so that the TPO keeps flexibility to adapt to market needs:
  - full range of products, lot sizes, way to enter the order volume, etc. are to be set by the TPO to reflect the needs of the market
  - specific operational procedures (such as related to nominations after a locational trade) should be left open for further agreement between the relevant parties (TSOs, network users, TPOs…)
- Cooperation between the TSO and the TPO on a bilateral basis is highly desirable to address at best the TSO's needs. However, the NC does not aim at defining obligations applicable to TPOs but rather clarifies how to ensure that the TSOs would be able to use TPs for balancing purposes.

Benefit of exchange based trading

- The question should be what are the advantages for the network users of having the TSO trading on a cleared and anonymous TP (an exchange) as the network users will keep the opportunity to trade OTC anyway
- To perform effective and fair balancing activities, the TSOs should use a TP that guarantee at least the following:
  - Non-discrimination between market participants (anonymity, equal access to information and to all orders,…)
  - Transparency
  - Prevention of market manipulation through market surveillance
  - Financial security (every trade covered by collateral so no risk of counterparty default)
  - Reliable, auditable price reference to be used for cash-out

  ➔ OTC trading do not offer those guarantees, only exchanges do
- Having an exchange available is a major advantage for new market entrants. We expect that the fact the TSO would bring liquidity on such exchange and guarantee that the network users will be cashed-out using the price signal of this exchange would be important for such network users.

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Balancing Network Code consultation workshop

Preliminary IFIEC-CEFIC views on Draft Code on Balancing and its supporting Document

Dirk Jan Meuzelaar

9 May 2012 - ENTSO conference centre, Brussels

Does the Draft Network Code succeed to fulfill its objectives?

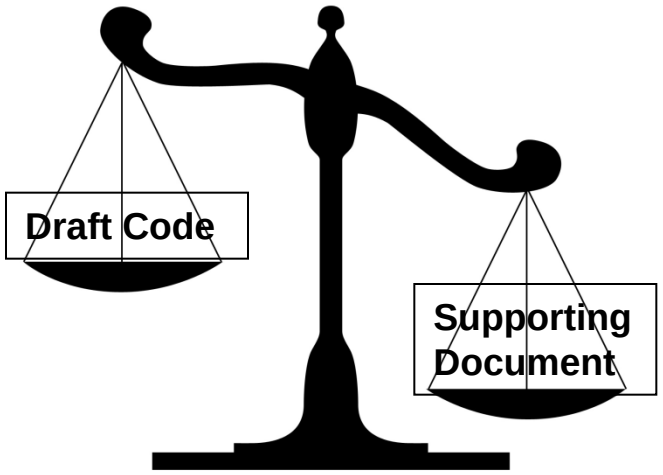
- Market based:
  - The Network Code (NC) shall define a balancing regime which is market based and enables network users to trade gas efficiently, including across borders
  - By creating balancing rules that are fair, non-discriminatory, based on objective criteria and which are market-based
- Limited and decreasing role TSO:
  - Primarily responsible for balancing are the Network Users
  - TSO is responsible for any residual balancing actions
- Appropriate instruments, information and incentives:
  - Provide sufficient, well-timed and reliable information on the balancing status of users to enable network users to balance
    - Network Users need to know ‘where the system is’ and what their own position is in order to be able to take appropriate portfolio balancing actions
  - Apply imbalance charges that are cost-reflective to the extent possible, whilst providing appropriate incentives on network users to balance their positions
    - No cross-subsidies and
    - Socialization of unbalancing costs must be avoided

For a reliable and appropriate (balancing) gas market, network users need clear and simple rules providing the necessary confidence and liquidity

- **Supporting Document and Draft Code are not (yet) in balance**
  - SD leads to more harmonization
  - SD is more in line with discussions SJWS
  - NC incomplete and not clear enough

- What will be the formal status of the SD?
  - Only good practice of National regulation?
  - Aiming at integrating detailed rules?
  - No status at all?
- For legal safeguard, Supporting text should be incorporated in the legislation or code itself.
- Supporting documents like explanatory notes should have a legal context as they give guidance how to read the legal binding text

imbalanced Balancing Code



"Supporting Document should ~~n~~ot be constructed as part of the Balancing Network Code"

Supporting Document page 3

More clarity and balance is needed
Chapter IV Operational Balancing

Supporting Document:

- Key problem is widespread use of long-term options for flexible gas. TSO should foster liquidity of the short term wholesale market, by being a party on that market and in case restricted to this market, its prices are more market reflective
- Clear merit order in favor of Title Market products
- No balancing service is case STSP are able to keep the system within the operational envelope

Draft NC:

- In art 13 Merit order
  - the TSO shall *at least consider* the criteria for the use of the various mentioned Market Products
  - The TSO shall *seek* to prioritize the use of Title Market Products
- In art 14 Trading platform
  - TSO shall either *seek to ensure* that this support is provided….
  - Publish the evolution of the Marginal Buy Price and Marginal Sell Price *as soon as reasonably* possible

IFIEC supports that WDO's are part of the Draft NC .. but the focus of IFIEC and the Draft NC differs

- FG and Draft NC are focused on situations where the TSO needs to take Balancing Actions
- Focus IFIEC is to provide network users incentives for appropriate balancing actions during the day
  - for network users who are voluntary choosing for settling during the day, the end of day settlement costs should be no more than a small portion of the Within-Day costs
- IFIEC is convinced that WDO/WDI
  - provide incentives for network users to balance their position during the day
  - decrease the role of the TSO
  - prevent smearing Intraday costs among all network users
  - help to minimize socialization and cross subsidization
  - decrease risks and imbalance costs
- The Neutrality Mechanism needs more explanation
  - Does this mechanism prevent cross subsidizing safeguard the 'causer pays' principle?
  - Hoe does the neutrality pots work together?

For managing our imbalance risks, appropriate information should be available, preferably on a near real time basis

- "The responsibility, shared between network users and TSO to balance the system, also requires a high level of transparency; Network Users need to know 'where the system is' and what their own position is in order to be able to take appropriate portfolio balancing actions"

- According to IFIEC information should be available at the highest possible frequency
  - No reason for IDM and DM refrain them from near real time information
  - Real time information is also necessary to identify and measure the individual position of the network users causer (to safeguard causer pay principle)

- Two years period for the TSO for a CBA for more frequent information is too long
  - Costs and efforts to provide forecasts at appropriate levels in the absence of information being metered is not efficient

The most obvious and effective incentive vital for the success of the balancing system is the refusal to reward the ‘helper’ during the day

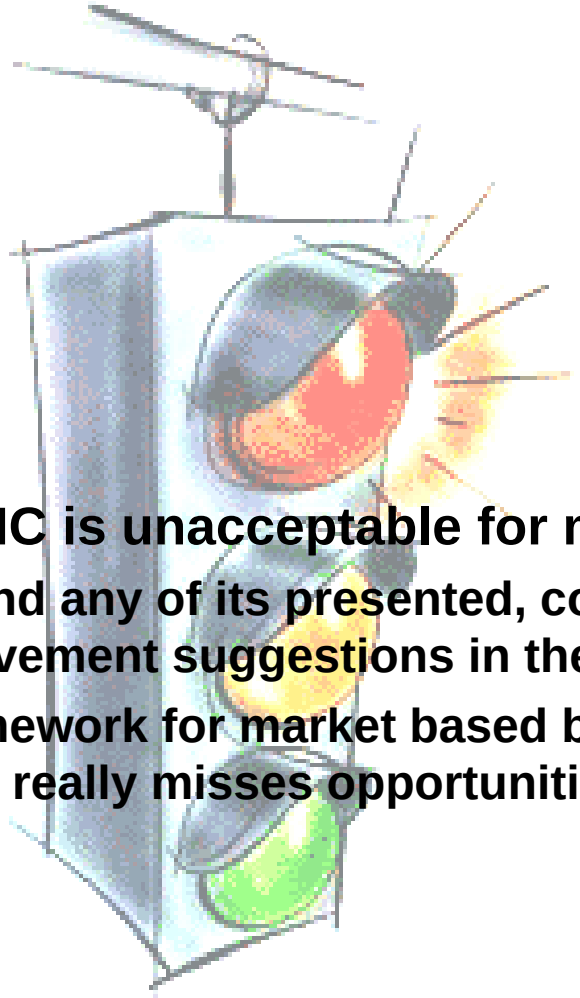
- The FG is based on the concept that individual Network Users shall only be incentivised to achieve a daily balance (end-of-day)!
- Consistent with this concept, the FGs has a two price cash-out regime (with Network Users facing different prices for “long” and “short” exposures on their daily balancing accounts), and (unfortunately) ENTSOG did not challenge this approach

- Within Day Incentives (like the helper concept) are useful instruments to keep the system in balance during the day and fit in a system with WDOs
- Rewarding the helper decreases the risks and therefore increase the willingness for end-users to be exposed to WDO’s.
- In practice IFIEC can provide evidence that the ‘helper concept’ is a powerful instrument and incentive to decrease the risks and lowers the imbalance costs, as for instance already is proved in the electricity and the gas market.

IFIEC Position & Proposals
Imbalance costs and charges should be as low as possible

- Cost reflection: no arbitrary or unjustified penalties with no relation whatsoever with underlying actual costs
- Transparency / cross subsidization: sufficient and reliable information is crucial
  - Near real time information should be available
  - Optimize IDM and DM; minimize NDM
- Improve liquidity: harmonize products in order to incentivize market liquidity
- Within Day Obligations (WDOs)
  - Appropriate Within Day Instruments (WDI) are required to stimulate within day balancing: sticks & carrots
  - Some major incentives helping to get the cost of the system as low as possible like “the helper concept’ are excluded in the draft NC. Socialization of unbalancing costs must be avoided
- Counterpart risk for STSP can be provided with collaterals instead of an expensive clearing system
- Small adjustments should be very limited and only if necessary to stimulate intraday balancing of Network Users

Making-up of the balance sheet of the draft NC BAL



- **The current draft NC is unacceptable for members of IFIEC as**
  - **IFIEC does not find any of its presented, constructive and discussed improvement suggestions in the NC document**
  - **Leading to a framework for market based balancing that is far from optimal and really misses opportunities**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Information Provision DSO Perspective

Stakeholder Joint Working Session 6

- Information flows and provision
- DSO Perspective

Author: Paul de Wit
Version: 0.1

Agenda

Balancing Network Code

- NC ICT challenges for DSO’s
- Complexity of intraday meters
- Complexity of determining the quality of load profiles

NC ICT challenges for DSO's

- Allocation process
  - Roughly the same as the current process

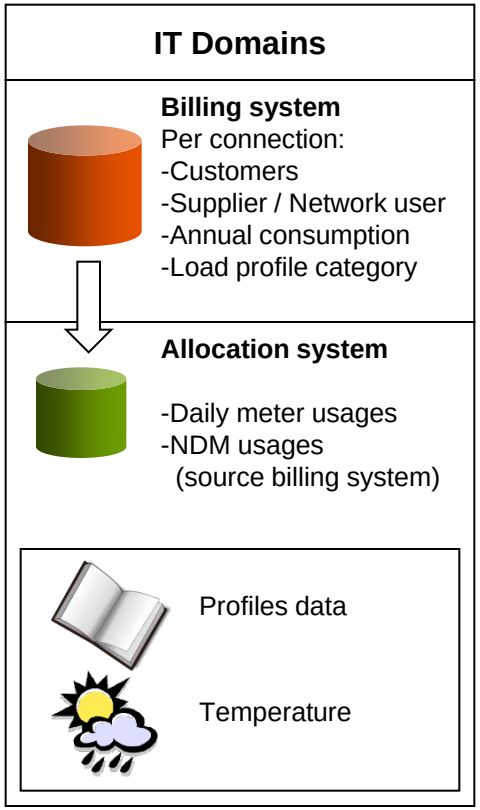
- Forecast
  - Normally a billing system feeds the allocation system (per connection: supplier, network user, profile, yearly consumption) (not always available in the future (next day))

- Prediction update during the day
  - Only temperature update is not very useful, it becomes more useful if also system flow information is used. This is usually in the area of the TSO.

- Installation of Intraday read meters
  - Next slides

- Complications
  - The number of parties can differ a lot per country. It's more difficult to coordinate a change process with 700 parties than it is to coordinate a change process with 7 parties.

  - Other challenges (other claims on change capacity, not NC balancing related)
    - Retail market improvements (business as usual)
    - Roll out of smart meters (EU initiative)
    - ….



Complexity of intraday meters

- The modem used for daily metered connection can't always be used for intra day metered connections
  - NL case: Battery in the modem was design for 1 read per day for 6 years. 23 reads per day would mean a battery change every 3,1 month. Therefore the modem for a intraday meter needs an electricity connection.
    Normally there is no electricity connection nearby a large gas connection. Special equipment is needed for safety reason.
- It's difficult to explain the advantages to a customer if he needs to invest (again) in extra equipment and the installation of an electricity connection.

SMS battery modem: only used for daily metered connections

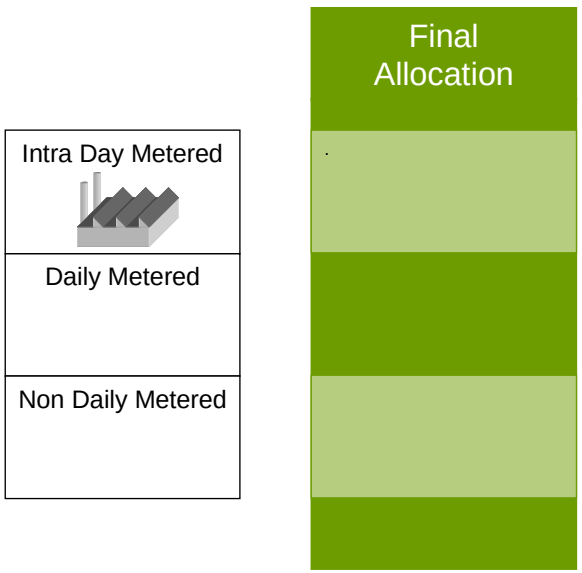
Complexity of intraday meters

Project challenges

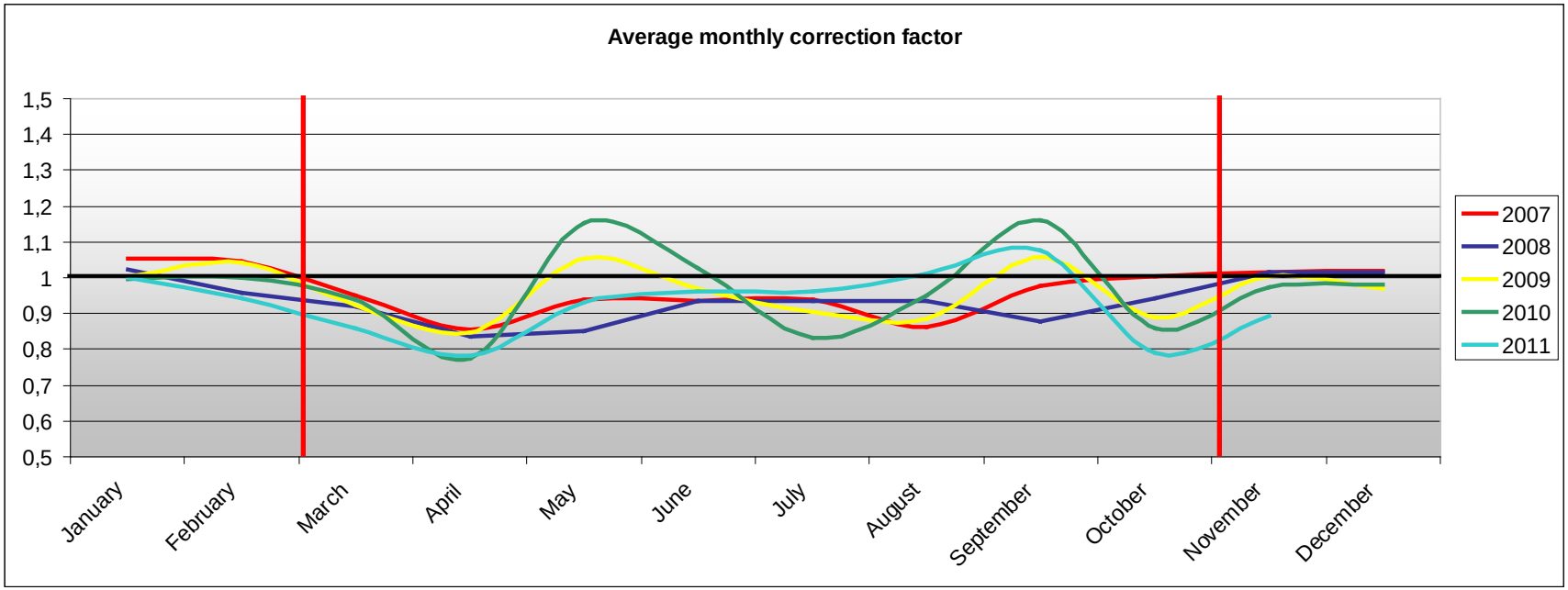
- IT challenges
  - Because the mobile network has usually not a 100% coverage more then one protocol is needed.
    Common protocols: GSM / GPRS (mobile phone modem) SMS or PSTN / ISDN (telephone modem)
  - What to do when the modem is not responding. 80% of the failures are modem failures.
  - Is a check of the values needed? Does a zero consumption means that the plant is in maintenance or is there a failure of the metering device / communication.
  - **Estimation protocol should be in place and agreed upon by all stake holders. Avoid manually intervention.**

- Logistics challenges
  - Duration = “number of customers” x “time to install for one employee” / employees
  - Number of customers:
    - **Depends on the threshold!**
    - Cooperation of the customer is required.
    - What to do when the customer is telling that his consumption will decrease next year or he will stop in 6 months or the responsible department is unknown (large organisations) or he is not willing to invest again.
  - Time to install for one employee
    - Is a electricity connection nearby. Which modem is needed. In the case of a weak or no GSM signal an extra telephone line is needed.

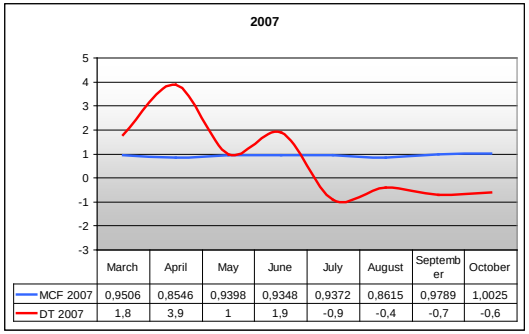
Complexity of determining the quality of load profiles



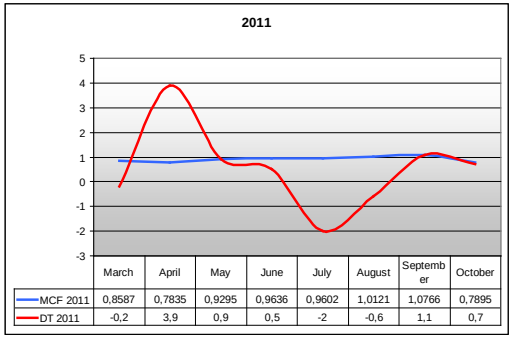
Complexity of determining the quality of load profiles



Monthly average Temperature	Normal	2007	2008	2009	2010	2011
January	3,1	7,1	6,5	0,8	-0,5	3,5
February	3,3	6	5,1	3,3	1,6	4,6
March	6,2	8	5,9	6,3	6,4	6
April	9,2	13,1	8,9	12,2	9,7	13,1
May	13,1	14,1	15,7	13,9	10,5	14
June	15,6	17,5	16,5	15,6	16,4	16,1
July	17,9	17	18,1	18,1	19,9	15,9
Augustus	17,5	17,1	17,4	18,5	16,8	16,9
September	14,5	13,8	13,6	15	13,6	15,6
October	10,7	10,1	10,1	10,7	10,4	11,4
November	6,7	6,9	6,9	9,5	5,8	7,2
December	3,7	3,8	2,4	2,2	-1,1	6,5
Average	10,13	11,21	10,61	10,51	9,16	10,9



	March	April	May	June	July	August	September	October
MCF 2007	0,9506	0,8546	0,9398	0,9348	0,9372	0,8615	0,9789	1,0025
DT 2007	1,8	3,9	1	1,9	-0,9	-0,4	-0,7	-0,6



	March	April	May	June	July	August	September	October
MCF 2011	0,8587	0,7835	0,9295	0,9636	0,9602	1,0121	1,0766	0,7895
DT 2011	-0,2	3,9	0,9	0,5	-2	-0,6	1,1	0,7

Questions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Imbalance & Cash-out and links to information provision

Consultation Workshop

Noel Regan

Adviser, ENTSOG

Introduction

- Consistent with the framework guidelines there are three information provision models
  - Base Case
  - Variant 1
  - Variant 2

  One model per Balancing Zone

- ENTSOG have received some queries on the link between the information provision chapter and the Daily Imbalance Quantities
  - Slides illustrative – please refer to Draft NC for actual drafting

- The treatment of any change to the gas quantity after the final Allocation has been set shall be outside the scope of the Network Code

Daily Imbalance Quantity

Daily Imbalance Charge Calculation Methodology

Daily Imbalance Quantity x Marginal Buy / Sell Price = Daily Imbalance Charge

- Each Network User
- Each Balancing Zone
- Each Gas Day
- Inputs - Offtakes

- Weighted Average Price
- Small Adjustment
- TSO Trades

- Positive or Negative

Base Case

	Day Ahead	Within Day	After the Day	
Intradaily Metered		• Measured Offtakes At least 2 updates	• Initial Allocation No later than 3 business days • Final Allocation Within period approved by NRA	• Based on Measured Flows Level of granularity on national basis
Daily Metered			As above	As above
Non Daily Metered	• End of Day Forecast	• End of Day Forecast At least 2 updates	As above	• Revised EoD Forecast Level of granularity on national basis

Variant 1

	Day Ahead	Within Day	After the Day	
Intradaily Metered		• Measured Offtakes At least 2 updates	• Final Allocation Up to 1 day after Gas Day	• Based on Measured Flows Level of granularity on national basis
Daily Metered		• Measured Offtakes At least 2 updates	• As above	• As above
Non Daily Metered		• Measured Offtakes At least 2 updates	• As above	• Based on measured flows Level of granularity on national basis

Variant 2

	Day Ahead	Within Day	After the Day	
Intradaily Metered		• Measured Offtakes At least 2 updates	• Initial Allocation No later than 3 business days • Final Allocation Within period approved by NRA	• Based on Measured Flows Level of granularity on national basis
Daily Metered			• As above	• As above
Non Daily Metered	• End of Day Forecast			• Day Ahead Forecast Level of granularity on national basis

Allocations at the VTP

- If the TSO receives a corresponding set of a disposing and an acquiring trade notifications and the Notification Quantities are equal then the TSO shall allocate the Notification Quantity to the Portfolios concerned

- The TSO may provide a specific default rule for the process referred to in Item 4 above should the Notification Quantities not be equal.

Relevant Consultation Questions

Question 19

Do you support the Daily Imbalance Quantity determination proposed in the Draft Code? If not, please indicate your preferred approach and supply further rationale and evidence of the benefits of Daily Imbalance Quantities being derived on information based during the Gas Day?

Question 37

Do you agree with the information provision models for Offtakes proposed in the Draft Code fulfil the requirements of the FGs? If not, please explain.

Question 40

Do you agree that the Balancing Network Code has to provide guidance on timing of information flows? If yes, do you agree with the proposals set out? If you do not agree with the Draft Code proposals what could the alternatives be and what would be the justification?


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Chapter VIII – Neutrality Arrangements

Clarifications & Discussion

Presenter: Kees Bouwens
ExxonMobil / OGP

Neutrality Arrangements

1. Simple EOD cash out:

- Example: user 1 = + 50 (long)
  user 2 = - 40 (short)
  TSO sells 10

Neutrality Arrangements

1. <u>Simple EOD cash out:</u>

- Example: user 1 = + 50 (long)
  user 2 = - 40 (short)
  TSO sells 10
  price: marginal buy: 12
  TSO average: 11
  marginal sell: 10

Neutrality Arrangements

1. Simple EOD cash out:

		TSO cash:
• Example:	user 1 = + 50 (long)	- 500
	user 2 = - 40 (short)	+ 480
	TSO sells 10	+ 110
price:	marginal buy: 12	+ 90
	TSO average: 11	
	marginal sell: 10	

- Neutrality pot: + 90; to be settled on monthly basis

Neutrality Arrangements

2. <u>EOD cash out with line-pack:</u>

- Example: user 1 = + 50 (long)
  user 2 = - 40 (short)
  TSO sells 20 (-10 line-pack)
  price: marginal buy: 12
  TSO average: 11
  marginal sell: 10

Neutrality Arrangements

2. EOD cash out with line-pack:

	TSO cash:
• Example: user 1 = + 50 (long)	- 500
user 2 = - 40 (short)	+ 480
TSO sells 20 (-10 line-pack)	+ 220
price: marginal buy: 12	+ 200
TSO average: 11	
marginal sell: 10	

- Neutrality pot: + 90; to be settled on monthly basis
- Line-pack: +110; to be accumulated (monthly ?)

Neutrality Arrangements

3. EOD cash out & NDM offtake variant 2:

- Example: user 1 = + 50 (long)
  user 2 = - 40 (short)
  NDM = +10 (long), but deemed in balance
  TSO sells 20
  price: marginal buy: 12
  TSO average: 11
  marginal sell: 10

Neutrality Arrangements

3. EOD cash out & NDM offtake variant 2:

		TSO cash:
• Example:	user 1 = + 50 (long)	- 500
	user 2 = - 40 (short)	+ 480
	NDM = +10 (long), but deemed in balance	
	TSO sells 20	+ 220
price:	marginal buy: 12	+ 200
	TSO average: 11	
	marginal sell: 10	

- Neutrality pot 1 (users 1&2): + 90
  Neutrality pot 2 (NDM): +110

Neutrality Arrangements

4. <u>EOD cash out & WDOs:</u>

- Example: user 1 = + 50 (long)
  user 2 = - 40 (short)
  WDOs (user charges)
  WDOs (TSO costs)
  TSO sells 10
  price: marginal buy: 12
  TSO average: 11
  marginal sell: 10

Neutrality Arrangements

4. EOD cash out & WDOs:

		TSO cash:
• Example:	user 1 = + 50 (long)	- 500
	user 2 = - 40 (short)	+ 480
	WDOs (user charges)	+ 50
	WDOs (TSO costs)	- 40
	TSO sells 10	+ 110
price:	marginal buy: 12	+ 100
	TSO average: 11	
	marginal sell: 10	

- Neutrality pot: +100

Neutrality Arrangements

5. EOD cash out & Balancing services:

- Example: user 1 = + 50 (long)
  user 2 = - 40 (short)
  TSO ‘stores’ 10
  price: marginal buy: 12
  TSO average: 11
  marginal sell: 10

Neutrality Arrangements

5. EOD cash out & Balancing services:

- Example:
  - user 1 = + 50 (long)
  - user 2 = - 40 (short)
  - TSO ‘stores’ 10
  - price: marginal buy: 12
  - TSO average: 11
  - marginal sell: 10

TSO cash:

- 500
+ 480
_____.
- 20

- Neutrality pot: - 20
  - +110 value of gas in store
  - - pm cost of balancing service


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Interim Measures

The NDM Forecast Deviation Adjustment

Nigel Sisman

Brussels - 9 May 2012

Dealing with NDM uncertainty

The challenge:

To provide protection for NDM demand uncertainty arising from the differences between the (last) Non Daily Metered Derived Forecast and Non Daily Metered Exit Allocation.

The solution?

Draft Code Article 51 (5) Tolerances 8 & 9 provides an approach which grants some exposure mitigation where the “forecast error might be considered to contribute to the imbalance”

Stakeholders have requested an explanation

Addressing a “high” NDM Derived Demand forecast

…..risk can be mitigated where the

“forecast error might be considered to contribute to the imbalance”

Formulation of proposal – Article 51 (5) Tolerances

8. …..tolerance shall be based upon the difference between the relevant Non Daily Metered Derived Forecast and Non Daily Metered Exit Allocation.

9. … Non Daily Metered Forecast Deviation ….. the amount by which the Non Daily Metered Derived Forecast :

a) if the Daily Imbalance Quantity is positive, exceeds the Non Daily Metered Exit Allocation

b) if the Daily Imbalance Quantity is negative , is less than the Non Daily Metered Exit Allocation

Numerical Examples

NDM Derived Forecast	NDM Exit Allocation	Imbalance	Tolerance level	Cashout Average Price	Cashout Marginal Price
50	60	15	n/a		15 @ Marginal Sell
50	60	5	n/a		5 @ Marginal Sell
50	60	-5	10	5	
50	60	-15	10	10	5 @ Marginal Buy
70	60	15	10	10	5 @ Marginal Sell
70	60	5	10	5	
70	60	-5	n/a		5 @ Marginal Buy
70	60	-15	n/a		15 @ Marginal Buy

Considerations

- Interim and optional step only
- Daily mechanism
- Any tolerance has implications for cost/revenue attribution
- Which NDM Derived Forecast to use?
- Linkage to information provision / accuracy of forecasts

…..just an enabling mechanism delivered in response to stakeholder request


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Next Steps

Consultation Workshop

Tori Gerus

Adviser, ENTSOG

Brussels - 9 May 2012

Remember ‘straw man’ concept

ILLUSTRATIVE (FROM SJSW2)

“I’m easier to critique and develop than a blank sheet of paper.”

Colloquial expression, meaning

A semi-developed but full argument/idea, intended to solicit reaction → revised, finalised argument

Public Consultation: 13 April -12 June

Precise consultation questions to yield focused responses

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Open invitation for bilateral exchanges

Dear Industry Colleagues

Balancing Draft Code for consultation

Further to our work in the development of the Balancing Network Code, please find attached two documents:

- *Draft Code on Gas Balancing in Transmission Systems (BAL300-12);*
- *Supporting Document for Public Consultation on the Draft Code on Balancing (BAL241-12).*

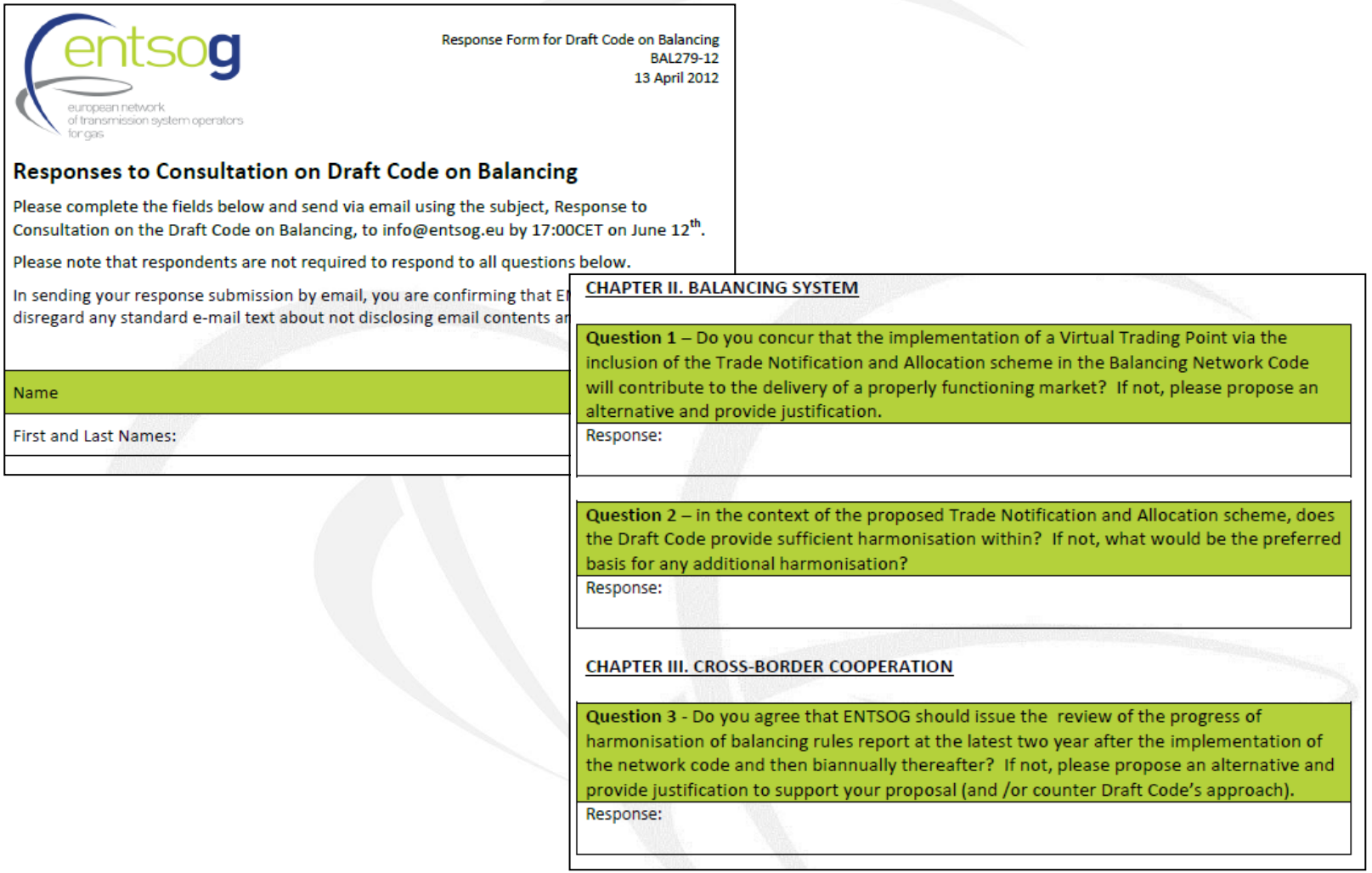
…

The ENTSOG Balancing Team and members who have been actively involved in the development process will be pleased to meet with you to explore any aspect of the Supporting Document and Draft Code during the consultation period. Please do not hesitate to contact Nigel Sisman (nigel.sisman@entsog.eu) if you would like to arrange such a meeting.

The response deadline for this consultation is 12 June.

…

Response Form for Replying to Questions



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Response Form for Draft Code on Balancing
BAL279-12
13 April 2012

Responses to Consultation on Draft Code on Balancing

Please complete the fields below and send via email using the subject, Response to Consultation on the Draft Code on Balancing, to info@entsog.eu by 17:00CET on June 12th.

Please note that respondents are not required to respond to all questions below.

In sending your response submission by email, you are confirming that E
disregard any standard e-mail text about not disclosing email contents ar

Name
First and Last Names:

CHAPTER II. BALANCING SYSTEM

Question 1 – Do you concur that the implementation of a Virtual Trading Point via the inclusion of the Trade Notification and Allocation scheme in the Balancing Network Code will contribute to the delivery of a properly functioning market? If not, please propose an alternative and provide justification.
Response:

Question 2 – in the context of the proposed Trade Notification and Allocation scheme, does the Draft Code provide sufficient harmonisation within? If not, what would be the preferred basis for any additional harmonisation?
Response:

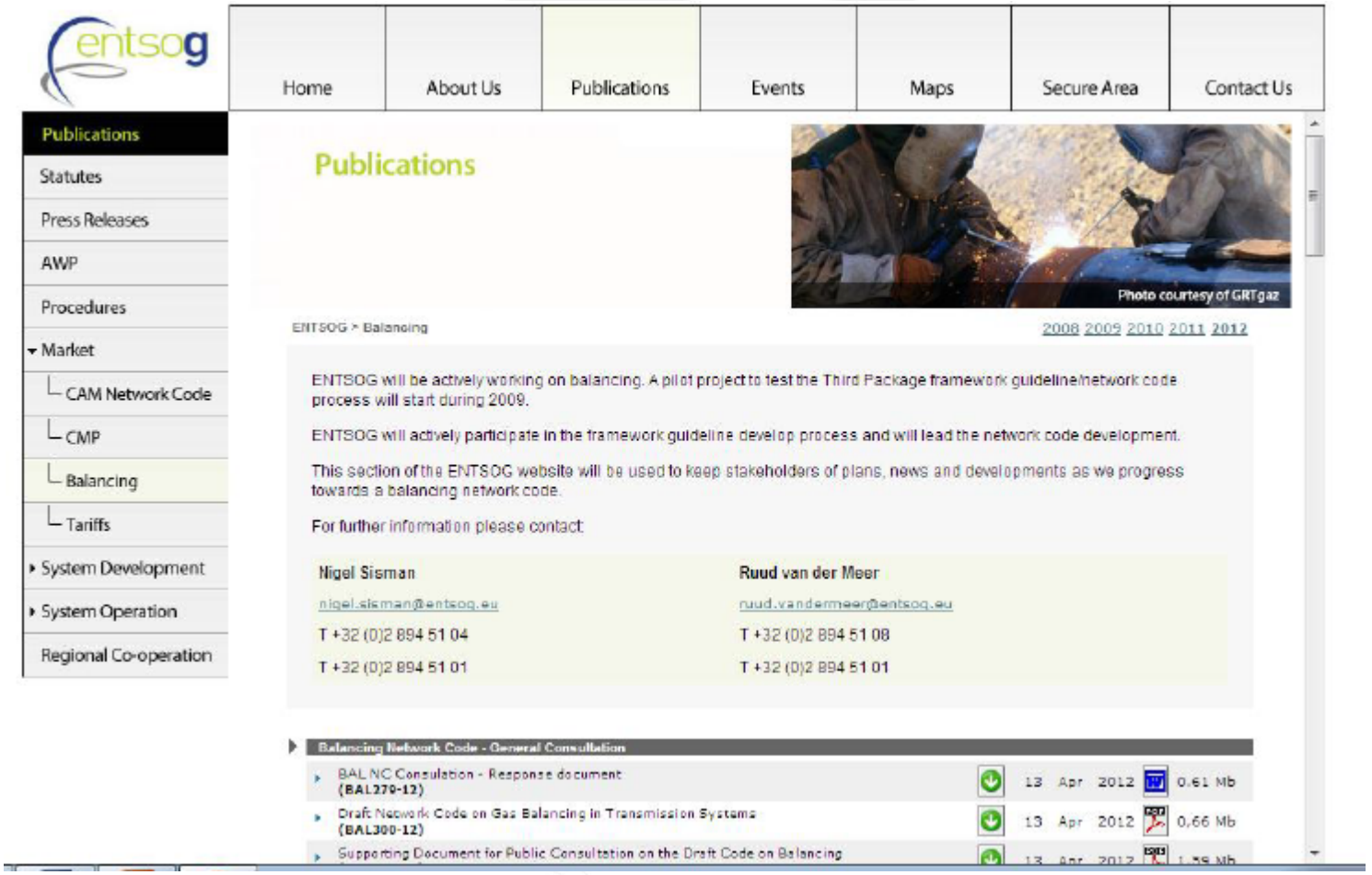
CHAPTER III. CROSS-BORDER COOPERATION

Question 3 - Do you agree that ENTSOG should issue the review of the progress of harmonisation of balancing rules report at the latest two year after the implementation of the network code and then biannually thereafter? If not, please propose an alternative and provide justification to support your proposal (and /or counter Draft Code's approach).
Response:

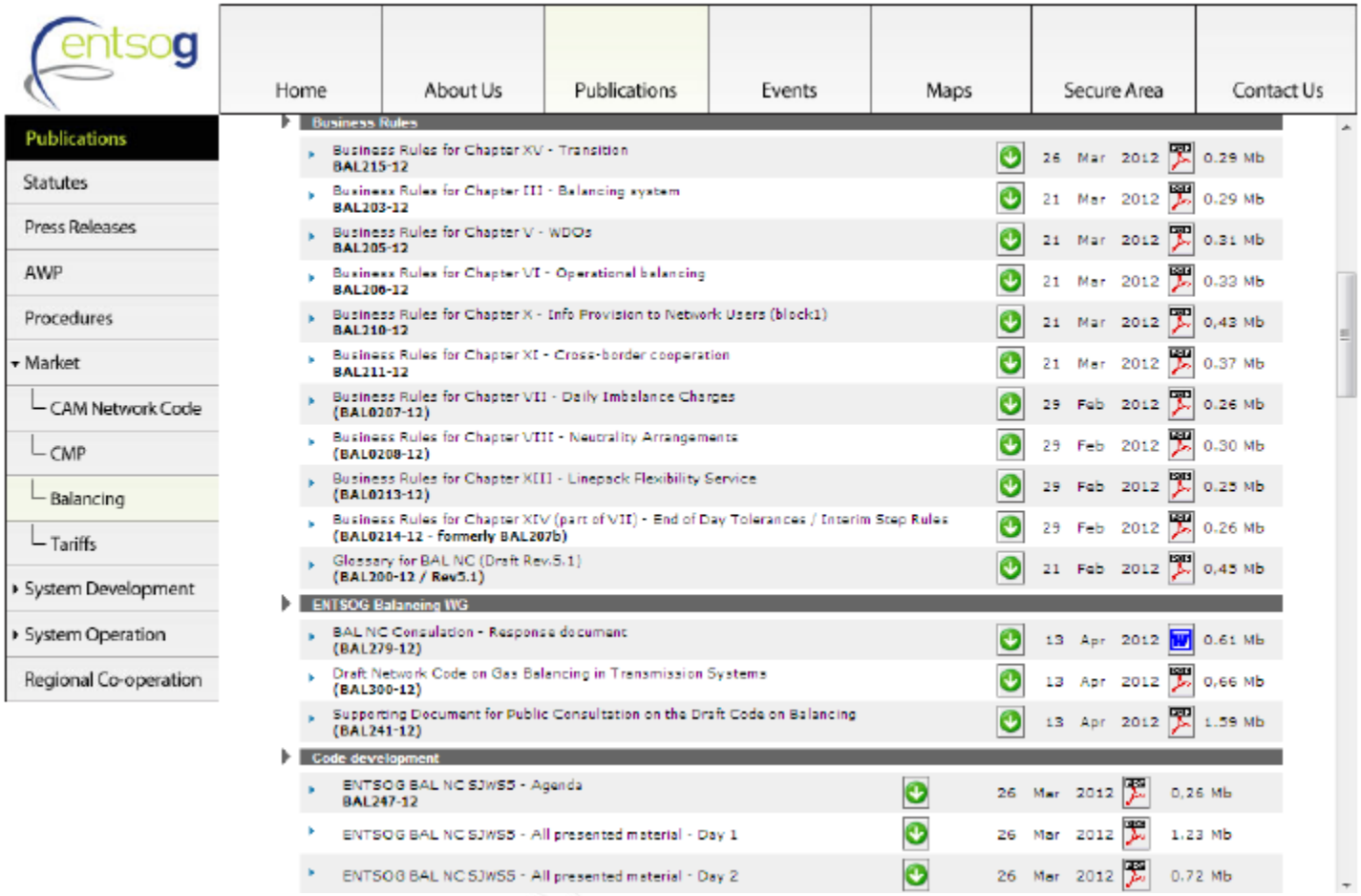
Evidence-based Arguments Sought – not Simple Assertions or High-level Statements

- Country case studies, highlighting both desired and possible unexpected effects with the adoptions of ENTSOG-proposed policy options: under-estimated direct effects; spill-over effects; others
- Analyses of the technical feasibility and commercial viability of implementing a proposed requirement in the ENTSOG proposed policy option vs. stakeholder-preferred option
- Scenario 'testing' policy alternatives, leading to a preferred policy options different from that proposed by ENTSOG
- Other qualitative and quantitative evidence to provide insight on policy options considered to date or NEW arguments

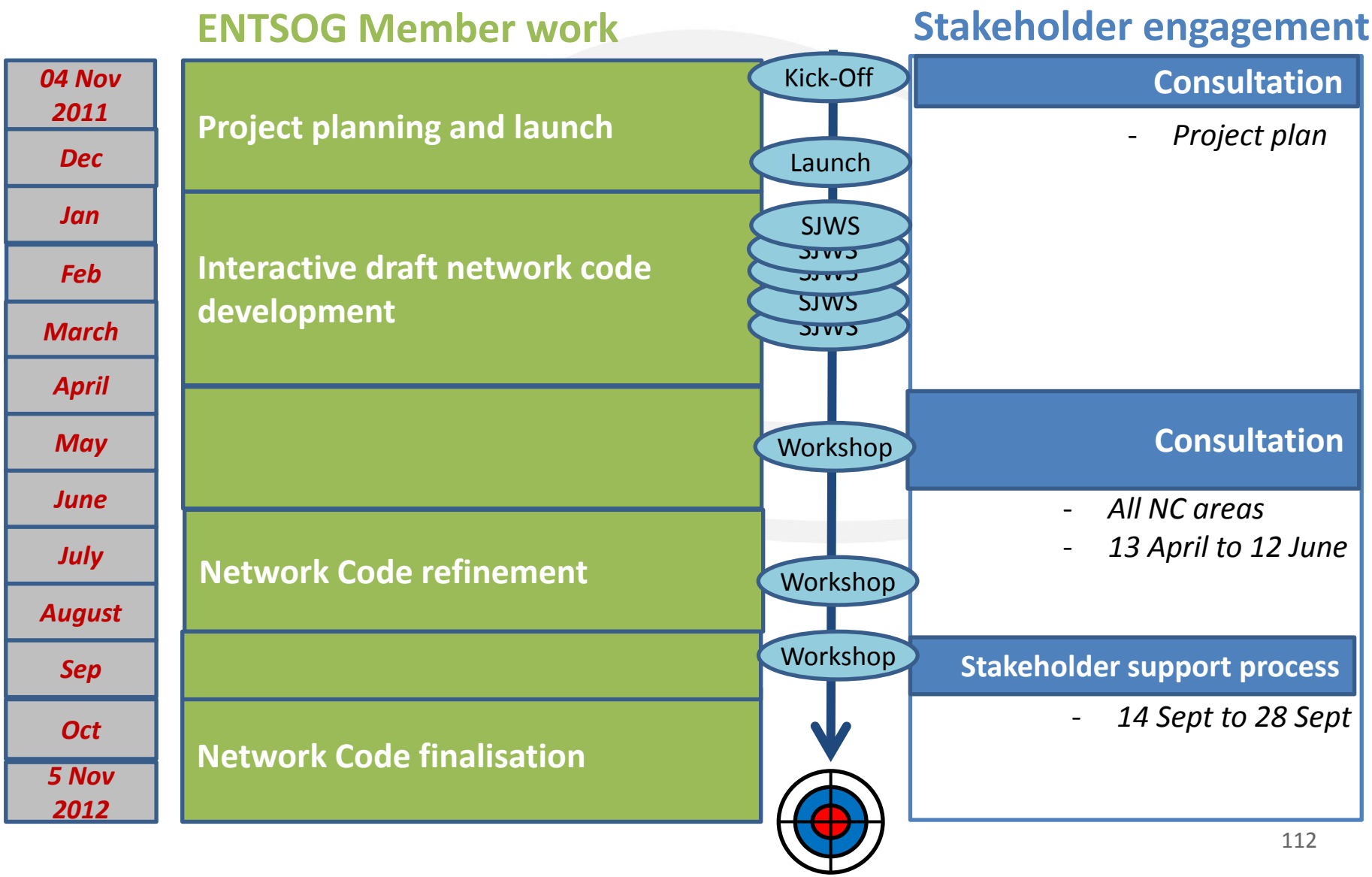
ENTSOG BAL NC Publications – Website Archive



ENTSOG Website - SJWS Materials



BAL NC: Project Timeline Review



from Consultation Response to Refinement Workshop

Refinement WS – Reporting on Consultation Response

EXAMPLE – CAM NC PROCESS

Table 1: Type of respondents

Overall responses received	**56**
European associations	8
National associations	6
Network users	37
End users	5

- 4 answers were almost identical responses received from companies under common ownership
- Responses are available on the ENTSOG website
- 1 confidential response has not been published

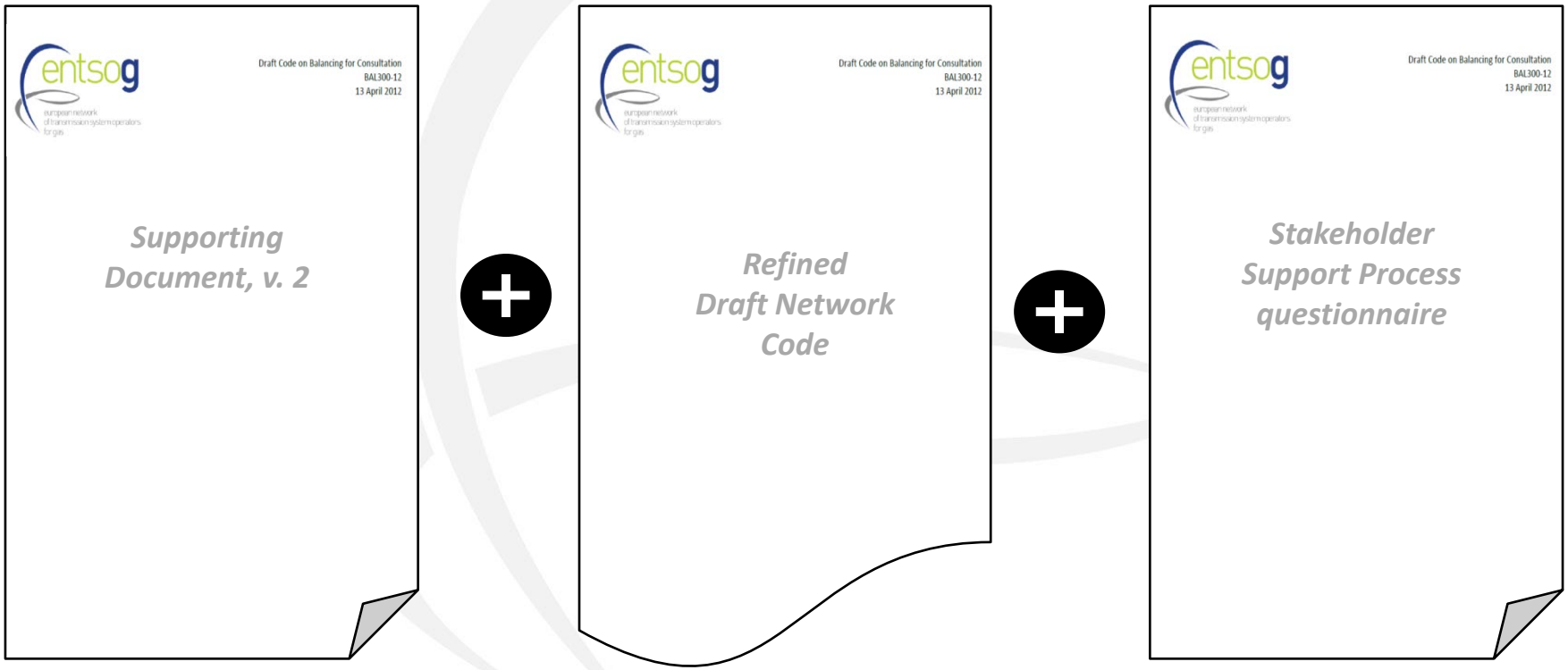
Reporting on Consultation Response (2)

EXAMPLE - CAM NC PROCESS

This section notes points raised in response to the consultation that are not captured in other sections, to enable ENTSOG to give these points full consideration.

View	Raised by
A mechanism for allocating incremental capacity should be included in the network code or introduced as a priority through some other route	9 respondents including 3 associations
10% availability: need for clarity on definition of "available capacity" including time of assessment; should be 10% of commercially available capacity (not unbooked)	5 respondents
Incentive to maximize capacity or clarity on calculation: • 3 respondents including 1 association see need for measures for maximizing capacity. • 1 respondent believes that the NC should contain more detail on the process of capacity calculation • Some additional requests for coordination at IP (similar calculation methodology, symmetrical offer at both sides of an IP)	4 respondents including 1 association

Stakeholder Support Process: 14 -28 Sep



SSP: High-level Questions

EXAMPLE – CAM NC PROCESS

Question 1: Do you consider that the network code development process carried out by ENTSOG was appropriate, given the boundaries of the framework guideline? In particular, was the level of stakeholder engagement appropriate? If there is room for improvement, please inform us about possible suggestions for improvement.

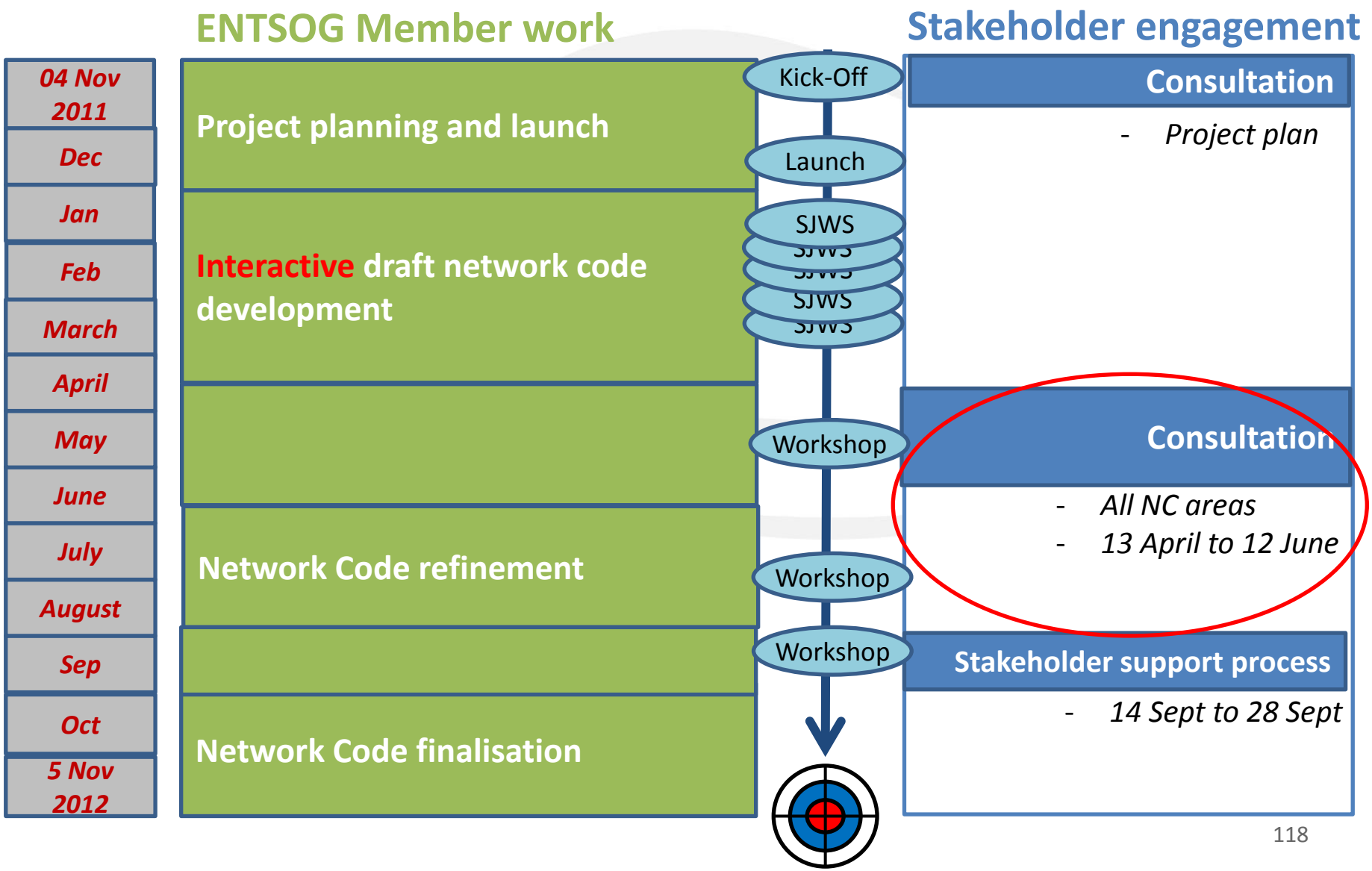
Yes	No
Comments:	

Question 3: Please complete the table below, indicating whether you support the relevant sections of the CAM NC, having regard to the process carried out and ENTSOG's aim to reflect the views of the majority of users during the development process.

Section	1-2: Rationale and Application	3: Principles of co-operation	4: Allocation of firm capacity[2]	5: Cross-border capacity
Support				
Do not support				

Section	6: Interruptible capacity	7: Tariffs	8: Booking platforms	9-11: Legal provisions
Support				
Do not support				

BAL NC Process: Key Stakeholder Feedback Phase



Thank You for Your Attention

Victoria (“Tori”) Gerus
Adviser
ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: victoria.gerus@entsog.eu
WWW: www.entsog.eu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