

Meeting notes

Balancing Network Code (BAL NC):SJWS1
11 Jan. 2012, 10:00-18:00; 12 Jan. 2012, 9:00-16:30

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13	BOG GmbH	Terracol	Nicolas
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38	eurelectric	Dolige	Sébastien
39	eurelectric	Hader	Henning
40	EUROGAS	Loudon	Margot
41	Eurogas	Wassen	Ruud
42	European Commission (<i>Day 2 only</i>)	Kovac	Kristof
43	European Commission (<i>Day 1 only</i>)	Rossodivita	Aurora
44	European University Institute	Hallack	Michelle
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46	Europex (Powernext)	Filippi	Aude
47	Eustream	Kosutzka	Katarina
48	eustream a.s.	Stevko	Marian
49	ExxonMobil / OGP	Bouwens	Kees
50	Federal Network Agency (BNetzA)	Wenz	Dimitri
51	FGSZ Ltd	Gellenyi	Zoltan
52	Fluxys	De Wolf	Laurent
53	Gas Connect Austria	Matzenauer	Alexander
54	Gaslink	Duggan	Alan
55	GasTerra B.V.	van Leeuwen	Bert-Jan
56	Gazprom Marketing & Trading	Schmidt	Jan
57	GAZ-SYSTEM S.A.	Anisimowicz	Joanna
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59	GDF SUEZ	Mangin	Claude
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67	GTS	Egberts	Sandrie
68	HMN Naturgas I/S	Capion	Nils
69	IFIEC	Meuzelaar	Dirk-Jan
70	IFIEC	van de Worp	Jacques
71	Ifri	Parmigiani	Laura
72	Interconnector (UK) Limited	Coulson	Alan
73	Ministry of Economy	Iwicki	Kamil
74	National Grid	Hamilton	Colin
75	Naturgas Energia Comercializadora (EDP Group)	Amundarain	Mikel
76	NetConnect Germany	Alaerds	Stephan
77	NetConnect Germany	Sammut	Markus
78	Ofgem/ ACER	Keyserlingk	Konrad
79	Pan Energy Markets	Druce	Mark
80	Regulatory Authority for Energy	Mourtzikou	Angeliki
81	RWE Supply & Trading GmbH	Rose	Stephen
82	RWE-Essent	den Bieman	Ton
83	Snam Rete Gas	Gazzola	Marco
84	Statoil	Sykes	Christiane
85	Thüga AG	Hennig	Eva
86	Thyssengas GmbH	Wachholz	Stefan
87	TIGF	Martin	Alexandre
88	TIGF	Miglio	Maximiliano
89	VERBUND Trading AG	Pflanzl	Thomas
90	VIK Germany / IFIEC EUROPE	Hoehn	Valentin
91	WIEN ENERGIE GASNETZ GMBH	Jakwerth	Peter
92	WINGAS GmbH & Co.KG	Kratzmueller	Wolfgang

1. Introduction

- Nigel Sisman, ENTOG, to serve as chairman for the SJWS1 and those to follow
- Update given on ENTSOG expanding membership

2. Approach to network code developments

- Appeal for urgency: draft code to be delivered by 13 April 2012 for formal consultation (66 days elapsed / 91 days remaining)
- Working on tabling of code structure for population
- Process to go through business rules (e.g. nominations)
- Suggested draft SJWS2 agenda

3. Imbalances

Two significantly different approaches appear in the FGs towards the imbalance quantity determination -- specifically, the non-daily metered (NDM) component.

Two different mechanisms to allocate offtakes by NDM to individual network users are:

- Option 1: NDM D-1 forecast approach
 - with perhaps accuracy incentives on TSOs/DSOs (based on German example)
 - supports development of wholesale market due to more market players
 - removes risks for those supplying NDM
 - Cross subsidisation at least within the group of NDM and smaller industrial users
- Option 2: actual consumption-based allocations
 - encourage network user balancing
 - promotes within-day markets
 - considered good for the wholesale market

ACER confirmed that both options would be possible within the FGs; the D-1 option is not an exception which can only be implemented where the within day information regime (minimum provision of forecasts twice a day) is not satisfied. The D-1 forecast approach is to be considered as an alternative to the approach in which allocations are made based on actual metering readings (and NDM attribution processes).

It was also confirmed that allocating D-1 forecasts is the only exception to the general principle that all actual (i.e. derived from meter reading data) entry flows onto and exit flows from the transmission system are to be allocated to individual network users.

It was recognised that reconciliation, i.e., the financial adjustment of difference between allocations and subsequent actual consumption, particularly for small infrequently read consumers, is out of scope of the BAL NC

4. Nominations/Imbalance regime

A) Some stakeholders confirmed their views that:

- Nominations/re-nominations processes should be harmonized on EASEE-gas rules
- Allocation processes should define quantities based on last forecast / nominations
- Imbalance cash-out regime needs to split imbalance quantity down into two elements marginal prices and Average priced exposure (nominations – allocations at average price).

It was not made clear how this stakeholder-proposed approach could be implemented, but ENTSOG will give it some consideration.

B) Nominations

- Nominations definition: Regulation provides clarity about the scope of nominations. However, TSOs may not need nominations for all entry/exit points.
- In the absence of clarity about what is meant by “set out criteria for nominations and re-nominations procedures to be harmonisation at both sides of the border at interconnection points,” ENTSOG proposed some business rules to support the code development.
- Some stakeholders expressed views that nomination processes and procedures need to be addressed in Balancing, at least some of the high level rules (scoping, timing). As a minimum for IPs but also to have potentially wider application to ensure improvements in balancing regime functioning.
- ENTSOG was asked by ACER to consider what was required to make the nominations regime support the balancing regime proposed.
- ACER was asked to provide an opinion on interpretation of the FGs and specifically as the criteria for the harmonisation of nomination and re-nomination procedures.
 - ACER tries to respond by 31 January 2012, following the relevant scheduled ACER meetings.

5. Information provision

- Information provision to network users needs to be considered in the context of 4 datasets
 - Overall system status (Transparency - Annex 1 Chapter 3)
 - Aggregate network user information
 - TSO balancing action data
 - Individual network user information
- Consideration focussed on exit flow information provision particularly some detailed consideration of NDM related information. The information set presented was intended to support a daily balancing regime and it was noted should be considered as part of the overall suite of information available to network users.
- A 'base case' and two alternative options were advocated to satisfy the within-day information requirements in the FGs, which would be applicable where imbalance calculations are not based upon the D-1 NDM "derived forecast".
- Widespread support for the approaches was noted with the following recommendations:
 - The timing of the D-1 NDM derived forecast should be linked to the day ahead "nomination" deadline (provided that there is coherence against CAM/CMP/BAL/INT codes/rules)
 - It was recognised that DSOs will need to provide portfolio information to support the provision of meter reads and forecasting process
 - Later steps associated with the forecasting process need to be addressed by either TSOs and/or DSOs. Both the DSOs and TSOs will work on this to deliver proposals
 - The timing of the first within-day information release (where required) should be late morning (11:00 - 12:00 was suggested, but the precise time needs to take into account other regime event timings)
 - The timing of the second within-day information release should be left to national discretion to reflect local specificities, such as market liquidity, needs of small entrants, etc.
 - The allocation processes and NDM derived forecasts should be based on the same algorithm (with allocations based on actual data replacing forecasts)
 - The NDM derived forecast process should be the subject of regular consultation including the provision of performance and accuracy information (NDM derived forecasts vs. after-the-day metered-based allocation). It was noted that experience of systems that have operated such a forecast mechanism that accuracy generally improves over time.
- The timing of after-the-day allocation information was not considered to be a major issue. Unless specific concerns are identified within a 10 day period from SJWS1 (via an e-mail to Tori Gerus (victoria.gerus@entsog.eu)), this matter will not be considered further in the BAL NC development.

- The concept of information accuracy can be considered in the context of two differences between:
 - Derived Forecasts and allocations (where these are different) - contributing to imbalance exposure
 - Allocations and “actual consumption of individual consumers” (as derived from infrequently read end-consumer meters) -- defining network users (perhaps different downstream user or suppliers) reconciliation exposures.
 - ENTSOG noted that in some cases network users had a direct influence on NDM accuracy as their nominations for larger loads were included in the forecast algorithm. ENTSOG will examine the potential measures to support accuracy of NDM forecasts and revert.
- Increased information provision will benefit all users, even if some of the costs are socialised via tariffs.
- A stakeholder indicated that there may be material costs that can arise from some of the rules being discussed and that this might lead to substantial costs for those that might benefit the system. Therefore where WDOs exist, it may be that network users can elect for either the WDO regime or a more relaxed rules regime. Those that might use the relaxed regime should have an exposure to the socialised costs whereas those that accept the WDOs should not have any socialised cost exposure to reflect the benefit that they create by reducing the requirements for balancing actions.

6. Conclusions from Day 1 (given as opening for Day 2)

- A stakeholder asked that ENTSOG differentiate between within day situations: no readings, one (or small number), real time (close to continuous); we must not be stuck in the past. Increased information provision will benefit all users even if some of the costs are socialised via tariffs.
- Cash-out pricing: FGs prescribe a two-price cash-out regime
- View expressed that ENTSOG might be getting into too much detail at this early stage in the network code development process
 - ENTSOG noted that some discussions went into significant detail. While it accepted that this can make meetings challenging, the timelines do require a thorough examination of some areas in order to deliver a robust code in the timelines allowed. ENTSOG will, however, endeavour to ensure an appropriate focus.

7. VTP and balancing platforms

- A stakeholder asked whether ex-post trading would be included in the network code. ACER said that the framework guidelines were silent on it and didn’t explicitly rule out the option. ENTSOG is not actively considering the option and indicated that it might not be in line with the requirement of an end-of-day settlement.
- ENTSOG indicated that the average price, for determining marginal buy and sell prices, should be a weighted average

- The differences between balancing platforms (TSO one side of all trades) and trading platforms were explored – preference for migration to trading platforms as soon as possible. Trading platforms should then support trading in the short term standardized products needed by the TSO. Trading platform might support a balancing platform component within its architecture.
- Trading on a trading platform would support transparency and non-discrimination in TSO's balancing actions.
- A stakeholder suggested that balancing platforms might not be efficient in the context of a dominant player. It was noted that this is a competition issue rather than specific to balancing platform.
- Balancing platforms may not be necessary if flex can be accessed from adjacent liquid market. Noted that learning here from Ireland/Northern Ireland and Iberian Peninsula experiences would be helpful.
- A stakeholder shared its view that TSO should not act as a network user with respect to cross-border flows of gas. Other network users should access markets and deliver gas to satisfy TSO balancing requirements.
- Qualification for establishing a balancing platform
 - where no existing trading platform exists that delivers necessary short-term standardised balancing products on a 24/7 access for TSOs
- Overall VTP/balancing regime requirements
 - Level of specification (timings, matching processing, and provision of imbalance positions) needs to be provided – what merit is there in seeking standard approaches?
 - Reasonable credit arrangements - TSO bears the risk of shipper default and this will impact neutrality arrangements and so, at least the principle of credit arrangements needs to be recognised in the network code
 - Real time cash-out price relevant data (real time) must be available and this therefore needs to be considered in the context of both the imbalance cash-out determination (trades from which sources and in respect of which trading windows e.g. just day ahead and within day?) should be included and how can that information be made available to all players
- Network User Forecast Imbalance information – to be provided on the basis of whatever information is available. Noted that this projection is derived from three components: (physical) Exit points, net VTP position, and (physical) Exit points. It was noted that the accuracy of the net VTP position would depend upon the timeliness of relevant network users' information submission and that each individual network user would know the trades they had completed even if the TSO had not all been notified of them all. Therefore, if aggregated positions of (physical) Exit points and (physical) Exit points are provided the network user should have all information to assess his position.
- Participants asked to identify issues associated with VTP processes that might need harmonization and to indicate why such issues provide a barrier to cross-border trade
- Stakeholders were requested to express positions or re-actions to ENTSOG within 10 days via e-mail to Tori Gerus (victoria.gerus@entsog.eu).

8. Balancing products

- ENTSOG's view is that the number of short term standardized products should be minimised.
- ENTSOG presented a set of four short term standardized products
- Unclear whether intra-day VTP and Physical transaction are the same – ENTSOG to think, explore and revert at next meeting
- Some questions were raised on balancing services
 - Why are they needed?
 - Why wouldn't the market satisfy requirements
 - Need to ensure availability of STSPs, transition is critical and to include transparent performance assessment given that costs of balancing services will be recovered from network users,
 - Quantification? Likely to be a matter of national determination with NRA oversight

9. Within-day obligations

- ENTSOG proposed, based on ACER's response to questions asked by ENTSOG, not to work on a better understanding of the requirements in the framework guidelines on within-day obligations and to transpose these criteria into text for the network code. A 'strawman' for this network code text was presented.
- ACER indicated that once the network code was binding that the criteria that needed to be met for within day obligations would apply to existing regimes. Stakeholder view that business rules should reflect as a minimum a review against the FGs' criteria of current obligations to ensure that assessments properly consider cross-border issues.
- Stakeholder expressed concern that an opportunity to go beyond balancing platforms, standardised products and daily balancing could be missed with this approach
- ACER confirmed it had suggested that ENTSOG could determine extra criteria for WDOs, although ENTSOG questioned whether the criteria are over specified.
- IFIEC indicated that the cost of balancing rules that mitigate the risk for network users delivering to specific groups of end consumers should not smeared across wider groups of network users. Cross-subsidisation is a major issue and should be prevented. IFIEC suggested a hybrid regime using different commercial risks
 - for those that choose to accurately manage their flows
 - looser regime for those that are looking for less risks and accept smearing the cost of TSO to provide the required flexibility .
- Some stakeholders suggested that it should be possible for TSOs to manage within-day positions of the network with a smaller set of short-term standardised products and without imposing within-day obligations.
- ENTSOG's view is that it would be a significant step forwards once all TSOs are using the set of short term standardised products; the step suggested by the stakeholders needs to be carefully considered; at the moment it is not obvious to ENTSOG that it will be feasible.

- ACER indicated it will be available for ENTSOG to ask questions to expedite timely progress.

10. Conclusions from Day 2/Next steps

Content

Positions (supported by empirical data, where ever possible) to be provided by stakeholders to Tori Gerus (victoria.gerus@entsog.eu) **by 22 January 2012:**

- Whether issues arising from the timing of after-the-day allocation might require harmonisation or whether it effected cross border trade.
- Identify issues (if any) associated with VTP processes that might need harmonisation and indicate why such issues provide a barrier to cross-border trade
- Stakeholders are asked to indicate whether they wish to amend their status between the four categories: Prime Movers, Active SJWS participants, Consultation respondent, observer. Stakeholders were also asked to encourage any other interested parties to become a registered stakeholder

Process

- Need to establish definitions (ENTSOG project team activity)
- Need a framework for code (aspiration to bring one to SJWS2)
- Next workshop: SJWS2, 26 January 2012, 10-17:00CET.