

Meeting notes

Balancing Network Code (BAL NC):SJWS2

26 Jan. 2012, 10:00-17:00

Diamant Conference Centre, Brussels, Belgium

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Participants:

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11	APX-ENDEX	Pierreux	Nicolas
12	BNetzA	Abert	Ulrike
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14	BP Gas Marketing	Pearce	Andrew
15	Cefic	Kronimus	Alexander
16	CRE	Leveille	François
17	CRE	Dourlens-Quaranta	Sophie
18	CREG	Van Isterdael	Ivo
19	EconGas	Sidak	Christian
20	E-Control	MacDonald	Ross
21	EDF	Mezlef	Nabil
22	Edison	Casartelli	Anna
23	Edison SpA	Immovilli	Monica
24	EDP Gás	Sousa	Cláudia
25	Enagas	Monco	Guillermo

26	Enagas	Vega Aguado	José
27	EnBW Trading	Holzer	Andreas
28	Energie-Nederland	Schurink	Hein-Bert
29	Energy Agency of the Republic of Slovenia	Nedelko	Vinko
30	eni	Garruto	Valentina
31	eurogas	Loudon	Margot
32	eustream	Stevko	Marian
33	ExxonMobil / OGP	Bouwens	Kees
34	Fluxys	De Wolf	Laurent
35	GAS CONNECT AUSTRIA	Matzenauer	Alexander
36	Gas Storage Netherlands	Wesseling	Arjan
37	Gazprom Marketing & Trading	Schmidt	Jan
38	GAZ-SYSTEM S.A.	Anisimowicz	Joanna
39	GDF SUEZ	Mangin	Claude
40	GDF SUEZ Infrastructure Branch	COUPAYE	Noël
41	GIE	Palada	Philipp
42	GIE	de Lahitte	Gaston
43	GIF	Palada	Philipp
44	GRTgaz	Quainon	Julien
45	GTS	Egberts	Sandrie
46	Iberdrola, S.A.	Nieto	Isabel
47	IFIEC	Solheim	Steinar
48	IFIEC	Meuzelaar	Dirk Jan
49	National Grid	Hewitt	Richard
50	NetConnect Germany	Alaerds	Stephan
51	Ofgem/ ACER	Keyserlingk	Konrad
52	PGNIG SA	Kubala	Ewa
53	RWE Supply & Trading GmbH	Rose	Stephen
54	RWE/Essent	Stolk	Rainier
55	SNAM	Nicolosi	Lorenzo
56	Statoil ASA	Sykes	Christiane
57	Thyssengas GmbH	Wachholz	Stefan
58	TIGF	Martin	Alexandre
59	VIK Germany / IFIEC EUROPE	Hoehn	Valentin
60	VKU e.V.	Richter	Christian
61	WINGAS GmbH Co.KG	Kratzmueller	Wolfgang

1. Introduction

The below notes should be read in conjunction with the presentations and supporting materials for the workshop, posted on the ENTOSOG website.

2. Process update

ENTOSOG project team provided a brief process update, including:

- A rallying call for stakeholder input, both at this and subsequent SJWSs, and directly to ENTOSOG team members between the workshops;
- A reminder that a two-way dialogue is essential to deliver robust code;
- An explanation of how the project team is using a 'strawman' approach to elicit feedback;
- A presentation of a proposed spine/structure of the network code and request for feedback;
- An introduction to a glossary, or set of definitions, to be integrated within the code, including:
 - Process to agree terminology (internal ENTOSOG progress);
 - Notice that the glossary would be published and updated on website on regular basis;
- Suggested draft agendas for SJWS3-5.

3. Progress update: items not on agenda

The ENTOSOG project team gave a high-level status report on topics which are still being worked upon but which do not appear on the workshop's agenda. The highlights are the following:

- Balancing products
 - looking to reduce number of products;
 - Within-day management using end of day tools to be considered;
 - Nominations/re-nominations/other rules and incentives being considered
 - Will be on agenda of SJWS3 with basic business rules (balancing products) and with refined business rules (merit order, balancing platform, VTP);
- Information flows
 - Detailed development of exit info. on-going;
 - Progressing input info.;
 - Will be on agenda of SJWS3 with basic business rules;
- Nominations
 - Stakeholder view that more than criteria needed is noted;

- ENTSOG working to establishing what is required for functioning balancing regime whilst awaiting ACER feedback on its code content expectations;
- More than two 2 price cashout
 - Subject of intra-ENTSOG topic exploration.

ENTSOG also explained that a programme of regular liaison with ACER and the European Commission has been established, i.e., tri-partite calls with the project team, ACER (Gas Balancing experts) and Unit B2 of DG ENER.

4. Business rule review: daily imbalance charges

ENTSOG presented its refined business rules for the topic, focusing on key areas, such as:

- Small adjustment (a requirement in the FGs)
 - likely to be determined at Member State-level on a criteria based approach;
 - absolute or % approaches to be considered before next rules developed, concern about unnecessarily high differentials
 - impacts via neutrality and on cross-border trade could be two of the criteria.

ENTSOG explained how the topic is linked with other topics in the BAL NC e.g. balancing tools and platforms/wholesale markets, neutrality, WDOs. Accordingly, the business rules will need to be adapted in line the development of those other topics.

ENTSOG also explained its attempts to ‘future proof’ the code by establishing a broad scope for categories and including terms, such as “virtual entry points” and “other charges.”

Stakeholders called upon ENTSOG to give consideration to the following issues:

- the possibility of setting separate caps (e.g., a percentage of the average price) for the small adjustment for imbalance charges (buy-side and sell-side);
- the socialisation/cross-subsidy effect of large or excessive “small adjustments”;
- Products feeding into imbalance price calculation and rationale for ones chosen

5. Business rule review: balancing platform, balancing products and merit order

ENTSOG presented basic business rules for balancing platform, balancing products and merit order. The presentation suggested that:

- evidence from Great Britain experience demonstrates the value of wholesale market platforms accessible to TSOs;
- some systems can usually be balanced by wholesale market transactions with TSO as a very small player;
- Network users can, and will, make use and develop liquidity in out of hours trading.

Stakeholders called upon ENTSOG to give consideration to the following issues:

- Merit order – timing and role of day ahead, pre-weekend trading

- Trading platform – relative merits of clearing as a requirement?
- Title market to be preferred priority tool (to encourage market, later will be most liquid)
- Ranking/priority of products in merit order (e.g., title products), given the security concerns of TSOs
- Procurement processes for balancing services to be separate from deployment decisions
- short-term costs (e.g., sub-optimal or inefficient actions) for longer-term benefits of having broad product set, offering TSOs the option of availing of certain types if/when needed.

Some next steps for ENTSOG are:

- ensuring member and platform operators views about design criteria for balancing platforms and VTP interfaces into settlement systems;
- Further work on merit order criteria (incl. balancing services);
- Balancing product definitions.

6. Topic exploration: neutrality

ENTSOG outlined the neutrality concepts that might warrant inclusion in the BAL NC. The key areas for development are: (1) the cost and revenues within the neutrality pot (more definition- particularly with regard to the “other costs”); (2) how the neutrality pot(s) should be structured, e.g., single or multiple; (3) how to apportion charges or rebates to network users.

Stakeholders and ACER called upon ENTSOG to give consideration to the following issues:

- Whether European rules are indeed needed? Initially stakeholder reaction that harmonisation beneficial. However, evidence of benefits welcomed -- particularly in the context of cross-border trade. ENTSOG appealed for stakeholder feedback and empirical evidence;
- The high degree of transparency required so that network users can understand the composition of all cash-flows into the neutrality regime;
- Whether the merit order may have a role in distinguishing within-day and end-of-day actions;
- If primary incentive (cash-out) is appropriate then neutrality of main gas transactions (imbalance cashout and balancing transactions) should give financial effect close to zero – views were sought as to whether this should be an aspiration for balancing regimes.

7. Topic exploration: linepack flexibility service

ENTSOG explored whether the use of linepack flexibility service might be appropriate and consistent with the high level objectives for the BAL NC.

There was general agreement among workshop participants that:

- Linepack flexibility service is important but not biggest priority, as confirmed by ACER. ACER itself, for example, did not comment on whether implicit and explicit linepack would meet the requirement of the FGs but stimulated stakeholder views on the subject;
- Daily balancing is primary objective of the BAL NC. Accordingly, a linepack flexibility service should not undermine this or create significant redistributions among network users;
- The BAL NC should enable linepack flexibility service where there is surplus inherent flexibility in the system (definition to be established) and that the value of this surplus could provide benefit to wider consumers.

8. Topic exploration: end-of-day tolerances (as interim measures)

There was general agreement among workshop participants that:

- ENTSOG's work on the topic is on the 'right track' and should continue;
- Tolerances are essential in the interim to address the problems of information adequacy and inaccuracy;
- The FGs call for targeted measures for "new entrants" and "small users" appears in contradiction to the principle of non-discrimination;
- Tolerances should primarily be based on demand portfolio (zero for VTP elements; zero for inputs dependent on adequate info provisions).

9. Constructing sequence for transitional arrangements

ENTSOG presented a high-level overview of interim measures and possible staged transitions, or roadmaps, that might need to be formulated.

- For some regimes with no or undeveloped markets the transition could take the full allowed period ;
- The interdependence of elements of the interim measures applied during the roadmap is recognised and therefore combinations of steps in different areas need to be considered.
- The provision of appropriate information provision will be critical to market development; progress on information provision is a pre-requisite for the application of other interim measures;
- A "soft landing" via transition arrangements, to provide confidence and proving, was promoted over a hard one when the 5-year transitional period has expired.
- An open question remains as whether the BAL NC could outline a 'best practice' roadmap, which could be tailored to address local circumstances.

Stakeholders expressed support of ENTSOG expanding its consideration of topics in the transition 'space' in addition to the BTM-driven topics particularly with regard to the assessment of information provision associated with each area/step.

10. Conclusions and next steps

Content

Positions (supported by empirical data, where ever possible) to be provided by stakeholders to Tori Gerus (victoria.gerus@entsog.eu) **by 1 February 2012:**

- Imbalance daily charges
- Balancing platform
- Merit order for use of balancing products
- Linepack
- Tolerances
- Interim/transition topics and issues to be given attention at SJWS3.

Views about the suggested network code spine and about the topic lists for SJWS3-5 within the same timescale would also be appreciated.

Process

- BAL NC glossary will be uploaded to ENTSOG website in the week of 30 January 2012;
- Next workshop: SJWS3, 9 February 2012, 10-17:00CET.