

Meeting notes

Balancing Network Code (BAL NC):SJWS3

9 Feb. 2012, 10:00-17:00

Thon Hotel Bristol Stephanie, Brussels, Belgium

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Participants:

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7	ENTSOG	Thure	Frederik
8	ENTSOG	van der Meer	Ruud
9	ACER	Rakhou	Erik
10	Alliander	De Wit	Paul
11	APX-ENDEX	Pierreux	Nicolas
12	BG Group	Dalton	Mark
13	Bord Gais Energy	Murray	Jill
14	BNE	Koehler	Anne
15	BNetzA	Abert	Ulrike
16	BOG GmbH	Terracol	Nicolas
17	BP Gas Marketing	Pearce	Andrew
18	Cefic	Kronimus	Alexander
19	CRE	Leveille	François
20	CREG	Clauwaert	Geert
21	EconGas	Sidak	Christian
22	E-Control	MacDonald	Ross
23	EDF Trading	Palomino	Mary
24	EDP	Matos	Brunno

25	EED bvba	Buchet	Philippe
26	Enagas	Monco	Guillermo
27	Enagas	Vega Aguado	José
28	EnBW Trading	Holzer	Andreas
29	eni spa	Kotljarevskaja	Viktoria
30	E.ON Energy Trading SE	Steck	Gunnar
31	eurogas	Loudon	Margot
32	eurogas	Wassen	Ruud
33	europex	Filippi	Aude
34	EuRoPol Gaz	Podworski	Piotr
35	European Commission	Held	Tanya
36	Eustream	Kosutzka	Katarina
37	Eustream	Stevko	Marian
38	Fachverband Gas Warme (FGW)	Linchnovsky	Michael
39	Fluxys	Martens	Bert
40	GAS CONNECT AUSTRIA	Matzenauer	Alexander
41	Gaslink	Duggan	Alan
42	Gas Storage Netherlands	Wesseling	Arjan
43	GasTerra B.V.	van Leeuwen	Bert-Jan
44	GAZ-SYSTEM S.A.	Brzeczowski	Stanislaw
45	GDF SUEZ	Mangin	Claude
46	GDF SUEZ Infrastructure Branch	Coupaye	Noël
47	GRTgaz	Quainon	Julien
48	GRTgaz	Bonnici	Daniel
49	GTS	Egberts	Sandrie
50	Iberdrola, S.A.	Nieto	Isabel
51	IFIEC	Meuzelaar	Dirk Jan
52	IFRI	Parmigiani	Laura
53	National Grid	Hewitt	Richard
54	NetConnect Germany	Alaerds	Stephan
55	NetConnect Germany	Sammut	Markus
56	Ofgem/ ACER	Keyserlingk	Konrad
57	REF-E	Motz	Alessandra
58	RWE Supply & Trading GmbH	Rose	Stephen
59	RWE/Essent	Stolk	Rainier
60	SNAM	Di Benedetto	Paolo
61	SNAM	Nicolosi	Lorenzo
62	Swedish Energymarketsinspectorate	ter Bruggen	Bjorn
63	Thyssengas GmbH	Wachholz	Stefan

64	TIGF	Martin	Alexandre
65	VIK Germany / IFIEC EUROPE	Hoehn	Valentin
66	WINGAS GmbH Co.KG	Kratzmueller	Wolfgang

Introduction

The below notes should be read in conjunction with the presentations and supporting materials (e.g., draft basic and refined business rules) for the workshop, posted on the ENTSOG website.

Please note that the European Commission or ACER have indicated that any comments made during a SJWS should not be considered a formal position from those organisations.

1. Process update

ENTSOG gave a process update which included the following:

ENTSOG liaison with ACER and the DG ENER

- Tri-lateral interaction with Commission/ACER – on-going and supporting the process;
- ACER Impact Assessment – shortly to be published on ACER website; as with ACER, ENTSOG’s documentation is expected to contribute to DG ENER’s impact assessment. ENTSOG will seek to justify its policy decisions in documentation to support network code process. Empirical evidence/quantitative data solicited from stakeholders

Eastern Europe engagement

- Possible event to attract more engagement from players in Eastern Europe in April (i.e., during formal consultation period)

Business rule status

- Progressing according to plan.
- ENTSOG asked stakeholders whether there are any changes they would like to make to the process – no specific feedback provided.
- Feedback sought on on-going work and business rules. ENTSOG would appreciate reaction to SJWS3-treated topics to be sent to ENTSOG [victoria.gerus@entsog.eu] by February 15th SJWS3 participants noted that it would be easier to take account of views early in the process and early feedback would contribute to both the robustness of the process and the final code proposal.

2. Operational balancing (selected issues) – refined business rules

ENTSOG gave a presentation, highlighting the key points of the refined business rules draft which was issued on February 3rd.

The Q&A session raised the following issues and/or points:

- How much discretion, in terms of defining functionality and products, should be granted to the operators of any interim balancing platforms?
- Should the NC establish the methodology for end-of-day versus decreasing virtual trade;
- Incentives must not ‘buy-off’ responsibility to deliver. The legal obligation, though, will be ultimately contained in the Terms & Conditions of contracts;

- How can the system maximise the use of short-term products? To be addressed via merit order and incentives at SJWS4 and/or 5;
- Locational product and possible flat rate assumption needs further consideration;
- ENTSOG was asked to consider whether all the sophistication associated with the Originating Participant is necessary before finalising its product definitions;
- Any trading or balancing platform to be used for TSO balancing should be available closer to 24/7 and should provide all short term standardised products (preferably cleared, if financially viable). Credit issues may need to be considered in the context of neutrality arrangements.

3. Information provision (selected issues) – refined business rules

ENTSOG gave a presentation, highlighting the key points of the refined business rules draft which was issued earlier.

The Q&A session raised the following issues and/or points:

- The information presented was to support a daily balancing regime. It was acknowledged that further information may be required where Network Users have further obligations within the day.
- It was raised whether the provision of an NDM forecast twice within the day was sufficient for Network Users even for daily balancing. ENTSOG stated that this was a minimum consistent with the FGs and the cost benefit analysis would examine the provision of more frequent updates.
- Stakeholders pointed out that information provision was key to giving Network users the confidence to act in the short term market. A discussion was held on the merits of provision of information on within day consumptions or based on end of day forecast demands.
- Stakeholder views were sought on the accuracy sought for the last NDM forecast -
- a view was provided that it should be no more than +/- 5%.
- The issue of whether TSOs should publish agreed trades within the balancing period was discussed. It was pointed out that publishing the exact trades within the Gas Day might disadvantage the TSO in procuring efficiently. It was accepted however that the marginal prices (derived based on trades completed) should be updated throughout the Gas Day in close to real time.

4. Linepack (flexibility service) – refined business rules

ENTSOG gave a presentation covering the business rules draft which was issued on February 3rd. The issues which were highlighted are:

- The strict criteria in the business rules should provide suitable protections that additional costs of provision of service will not be met by other network users
- A market-based price could be determined by competitive release process with floor set at cost-based reserve price.
- Criteria on overall cost of system should specify “net”

This topic will not be treated again in the SJWSs to come.

5. Daily imbalance charge – refined business rules

ENTSOG gave a presentation, highlighting the key points of the business rules draft which was issued earlier.

The Q&A session generated the following issues and/or points:

- It was queried ENTSOG had considered a “helper” concept for imbalances. ENTSOG said this was not in line with the FGs which propose a two price imbalance methodology.
- Whether balancing services should be used to derive potential prices for consideration in the marginal price derivation when such services were used requires further thought.
- Different views were offered on whether Day Ahead trades are included in the average wholesale price:
 - The TSO trades should be focussed on within day and not day ahead meaning they should be excluded.
 - Shippers will do most of their balancing within day
 - But, it might reduce price volatility
 - Network Users are provided Day Ahead information to allow them take actions at a Day Ahead basis.
- Form and level of the “small adjustments”
 - Most stakeholders sought some further prescription beyond the “criteria based approach:
 - Marginal buy and sell prices may be set by TSO’s highest and lowest traded prices for balancing gas and this should address the physical value of flexibility of gas. The small adjustments might therefore only need to be sufficient to encourage users to trade out their imbalance positions. Stakeholders and platform operators were invited to offer opinion as to how big the small adjustment should be.
 - Support for both percentage and absolute value forms; one participant requested that attention be given to contemplate a cap for the small adjustment.
 - Should this differ between systems without and with WDOs?
 - Recent consultation and policy decision by Ofgem may provide data and qualitative arguments to substantiate some forms and levels vs. others.
 - If it is too high there may be less trading and if too low Network Users may choose to cash out rather than balance.
 - Discussion explored possible values for small adjustment +/- 5% being mentioned and the relativity between transportation service charging and the value of inherent linepack flexibility.

6. Nominations – topic exploration

ENTSOG gave a presentation that re-iterated the expanded remit in the field of nominations which was communicated recently by ACER:

“Given its significance, stakeholder feedback and that the harmonisation of nomination regimes has not been covered in other legal obligations, we invite ENTSOG to include nomination rules in the Balancing NC. This should take into account stakeholder input, analysis of what the issues are (particularly in relation to the Balancing FG objectives and cross-border trade) and any other relevant interactions, including with capacity auctions (CAM), as well as the requirements of

the balancing regime (including network users' requirements). We would expect this to result in a proposal for harmonised renomination and nomination rules and lead times."

Stakeholders were supportive of such an approach. The EC also voiced their support. Several stakeholders voiced further clarification that they were not looking for harmonisation at non-IPs.

ENTSOG's balancing and interoperability working areas have commenced common work on the topic. An update will be given at SJWS4, followed by business rules at SJWS5.

7. Cross-border cooperation – topic exploration

ENTSOG gave a topic exploration presentation. The key issue on which feedback was solicited was whether the BAL NC could deviate from the following:

"The network code on gas balancing shall include proposals for TSOs to implement cross-border balancing projects in the European gas regions."

ENTSOG, supported by stakeholders, argued that this would be inappropriate in a network code. It would also likely be unfeasible given the uncertainty regarding the adoption and entry into force of the BAL NC. Stakeholders also suggested a lower priority of this topic within the network code.

DG ENER advocated a "pragmatic approach." It was suggested that ENTSOG should rather: define criteria for the eventual opportunities and projects to be considered which would bind TSOs into cooperation; define a process and obligations to move toward integrating markets.

8. Tolerances – basic business rules for interim period

ENTSOG gave a presentation covering the business rules draft which was issued earlier.

The Q&A session raised the following issues:

- The use of two levers for tolerances might not be necessary. The sophistication of having an additional price lever was considered unwarranted. SJWS participants favoured a simpler tolerance mechanism that would involve the derivation of an individual network user determined tolerance level within which imbalance would be cashed out at the weighted average price for gas on the day should be envisaged.
- Participants indicated that the tolerance should feature an element designed to give price relief upon an element of the imbalance to each network user up to that between their NDM Exit Allocation and the final NDM Advisory Forecast (and where the direction of that difference might have contributed to the direction of their imbalance). ENTSOG agreed it would formulate an appropriate proposal.

9. Interim measures – further topic exploration

ENTSOG gave a further topic exploration presentation, highlighting the need for well-planned "roadmaps" for transitioning from the status quo to a liquid wholesale market, or BTM even though the FGs remain silent on the topic.

Stakeholders supported ENTSOG continuing to explore the suggested approach of defining a set of 'packaged' roadmaps of interim measures for TSOs to follow. Participants were asked if they considered that any detail on the transitional process beyond those individual subject elements included in the FGs should be included in the BAL NC.

10. Conclusions and next steps

Content

Stakeholder feedback on matters explored in the previously circulated business rules and any other matters raised in SJWS3 (supported by empirical evidence and quantitative data, where ever possible) to be provided to Tori Gerus [victoria.gerus@entsog.eu] by 15

February 2012:

- Operational balancing
 - Trading platforms
 - Short-term standardised products
- Information provision
 - System status (aggregated info.)
 - TSO balancing actions
 - Offtake information
 - Input information
- Daily imbalance charge
- Nominations
- Cross-border cooperation
- Tolerances
- Interim measures and the transition to the BTM.

Process

- Further Business rules and, to the extent possible, their supporting presentations will be posted on the ENTSOG website from Feb. 18th [See Balancing webpage, “Business Rules” publication list – www.entsog.eu/publications/balancing]
- Next workshop: SJWS4, 23 February 2012, 10-17:00CET, Diamant Centre.