

**RESPONSE TO ERGEG'S PUBLIC CONSULTATION PAPER
– FRAMEWORK GUIDELINE ON GAS BALANCING RULES –
E10-GNM-13-03
Response
by the Distribution System Operators Committee of Eurogas**

Eurogas Distribution Committee welcomes the framework guideline of ERGEG on the important issue of gas balancing rules on transmission networks.

It is in the interests of all market participants that there is a common understanding on the gas balancing rules and Eurogas Distribution Committee advocates for an effective and pragmatic approach on this issue.

Below are more detailed remarks on issues raised in the framework guideline.

QUESTIONS FOR STAKEHOLDERS

PROBLEM IDENTIFICATION, SCOPE, DEFINITIONS, PURPOSE, POLICY OBJECTIVES AND COMPLIANCE

General remark:

The gas distribution systems and their operators (DSO's) are not mentioned in this Framework Guideline for Gas Balancing Rules on European Gas Transmission Networks. Only the network users and the TSO's are mentioned in the FG. Network users are defined as a party that uses the transmission system to transport gas from one location to another and also a TSO is defined as an entity responsible for keeping the system in balance. We like to point out that a DSO is, like a network user, connected to the transmission system but does not use the transmission system to transport gas from one location to another. Also a DSO is not responsible for maintaining the balance of the transmission system. A DSO passes the gas through to the consumers, industrial users, etc. The transmission system users and the distribution system users are both responsible for the aggregated off-takes from the system. Inputs are mainly on the transmission system although some smaller inputs like green gas can also be done in the distribution system. The DSO can not be seen as a network user nor can it be regarded as a TSO, therefore in our opinion a special role for the DSO should be created in this Framework Guideline.

Recommendation from the Eurogas Distribution Committee:

A special role for the DSO should be created in this Framework Guideline this role should take into account.

1. Not only the transmission system users but also the distribution system users can cause imbalances on the transmission system.
2. Extreme climatic condition may require the suspension of balancing rules on the transmission system in order to safeguard undisrupted supply of gas to consumers.
3. The role, tasks and responsibilities of DSO's can differ in member states. It depends on the market model of the member state. The target model of the balancing rules on transmission systems should take into account the different roles, tasks and responsibilities of the DSO's in the different member states. This however does not mean that on a TSO level cross-border cooperation, harmonization or integration is not possible.

Question 1: Do you agree that the problems identified in the problem identification chapter are the main ones? Are there additional problems that should be addressed within the gas balancing pilot framework guideline?

In our opinion an additional problem that should be addressed is the problem of extreme conditions. An extreme condition like very cold outside temperature is not mentioned. Under these extreme conditions normal market rules do not apply. Customers and especially vulnerable customers should be protected when extreme conditions occur at all times.

Question 2: Do you agree with the scope (section 1) and objectives (section 3) of this pilot framework guideline? Are there policy issues that should, but are not currently addressed by the draft document?

As mentioned in the general remark the special role of the distribution systems is not mentioned in this FG. Distribution systems are often connected to the transmission system but the DSO is not responsible for maintaining the balance on the transmission system. The DSO is also not responsible for the aggregated user off-takes from the distribution system. The aggregated user off-takes from the distribution systems often have an influence on the balance of the transmission system. Therefore in our opinion a special role for the DSO in this FG is justified.

Question 3: In your view, should the European network code for gas balancing lead to an amendment of national balancing rules? If so, how detailed should the European target model be?

In any case the rules for DSOs should not be covered on account of their system specificity.

Question 4: Do you agree with the approach of defining a target model for the network code and allowing interim steps subject to NRA approval?

Yes, but as mentioned before the special role of the DSO should be incorporated in the target model. The role, tasks and responsibilities of DSO's can differ in different member states. It depends on the market model of the member state. The target model should take into account the different roles, tasks and responsibilities of the DSO's in the different member states.

Question 5: What timescale is needed to implement the provisions in the target model outlined in Part II after the network code is adopted? Is 12 months (as in section 10) appropriate or should it be shorter or longer?

Because DSO's are not mentioned in this FG it is not possible to give an indication on the time needed to implement this target model from a DSO point of view. Whether changes are required at all or how many changes are required will differ in different member states. If changes are required a reasonable time should be given to implement these changes. Whether 12 or 24 months is enough can only be answered when the special role of the DSO in this target model is defined.

Question 6: Should the pilot framework guideline be more specific regarding the purpose and policy objectives for network codes (section 3), in particular areas including nomination procedures?

Question 7: With reference to section 3 (proposed policy objectives), do you have comments on how Article 21 of the Gas Regulation 715/2009 should be reflected in the gas balancing network code?

THE ROLE OF NETWORK USERS AND TSOs

Question 8: Is it necessary to have a harmonised approach to the network user and TSO roles regarding gas balancing?

In our view the special role of the DSO should be taken into account. The DSO can not be regarded as a network user, nor is it the party responsible for maintaining the balance of the transmission system. The role, tasks and responsibilities of DSO's can differ in different member states. It depends on the market model of the member state. Harmonizing the market models is of course not in scope of the framework guideline for gas balancing rules on transmission systems. Therefore in our opinion the target model should incorporate the special role of the DSO without changing the national roles, tasks and responsibilities of the DSO's.

Question 9: What are your views on the proposals for the target model to be reducing the need for TSOs to undertake balancing activities?

Less activities from the TSO leads to more activities from the users. From a DSO point of view it is unclear what this means for users connected to the distribution system and what this means for the DSO. We can only answer this question when the special role of the DSO is clear in the target model.

Question 10: Is it appropriate for the target model to impose within-day constraints on network users? If so, should such constraints be imposed on all network users or only on certain groups of network users? If within-day constraints should only be imposed on certain groups of network users, which ones are these? How could this be justified?

Whitin-day constraints can not be applied to distribution systems connected to the transmission system. Household consumers depend on an undisrupted gas supply especially in a winter period with very low temperatures outside. This is also a reason why the DSO should have a special role in the target model. A distribution system should (or can) not be constrained in the off-takes from the transmission system.

Question 11: Is balancing against a pre-determined off-take profile a useful interim step?

A pre-determined off-take profile is not applicable for distribution systems. The off-takes by distribution systems from transmission systems are usually at least hourly read. Therefore balancing against a pre-determined off-take profile for distribution systems is not a useful interim step.

Question 12: Should TSOs have the option to sell flexibility provided by the gas transmission pipelines system (linepack) subject to the NRAs' approval? If so, should this be mandatory?

Question 13: Should the target model enable TSOs to provide tolerances to market participants for free or should this be an interim step?

TSO OBLIGATIONS ON INFORMATION PROVISION

Question 14: Are there any additional information requirements that you believe should be included? In particular, should the pilot framework guideline oblige TSOs to provide information beyond the requirements set out in the revised Article 21 and Chapter 3 of Annex 1 to Regulation (EC) No 715/2009 (as recently approved through comitology)? If so, please provide details?

Question 15: What are the benefits and disadvantages of TSOs providing network users with system information?

Whether or not transmission system information is useful for users like large industrial users connected to the distribution system is not clear. It heavily depends on the way how distribution systems will be integrated in the target model.

Question 16: What are the costs of TSOs providing network users with system information? How do these compare against the benefits and/ or disadvantages?

BALANCING PERIODS

Question 17: What are your views on our assessment of the policy options?

Question 18: Are there relevant additional policy options on balancing periods which have not been considered in this section? Should these be considered going forward?

Question 19: Is it necessary to harmonise balancing periods? If so, what are the benefits of a regional or pan-European harmonised balancing period? If not, why is it not necessary? Please explain your answer.

Question 20: If you agree with a harmonised balancing period, what do you consider is the appropriate length of the balancing period?

The appropriate length of the gas balancing period should be determined in relation to the special circumstances in each particular country and can range from one hour to one day.

Question 21: Do you agree with the target model? (Please explain your answer).

It's not clear what the impact of the target model is for DSO's. In our opinion the DSO's can help facilitating the target model for balancing rules on transmission systems but the DSO has no role in cashing out any accumulated deviations between the inputs and off-takes of the users connected to the distribution system. How this will be dealt with is not clear to us.

Note: To determine the off-takes of most household consumers a standard load profile is used. Whether or not the balancing period is an hour or a day, deviations from the standard load profile will take place. How deviations from the standard load profile will be handled and by whom is not clear to us.

Question 22: What would be the costs of implementing the target model in (and beyond) your Member State or balancing zones(s) (as the case may be)?

TSO BUYING AND SELLING OF FLEXIBLE GAS AND BALANCING SERVICES

Question 23: Do you agree with our assessment of the policy options?

Question 24: Do you agree with the target model? (Please give reasons). If so, what do you consider are the benefits and disadvantages of the target model?

In our opinion the target model should also take into account that under extreme conditions normal market rules may not be sufficient and additional measures are needed. Especially when outside temperatures are low, an uninterrupted gas supply for households should be guaranteed. It is possible that under these conditions the market rules are temporarily

suspended. Household consumers connected to the distribution system depend heavily on the undisrupted supply of gas.

Question 25: What are the costs of implementing the target model in your Member State?

Question 26: What interim steps, if any, may be needed in your Member State or balancing zone(s)?

Question 27: Is it appropriate for balancing platforms to be part of the target model subject to NRA approval, even where markets are sufficiently liquid to enable TSO procurement on wholesale markets?

Question 28: Is it appropriate for TSOs to procure balancing services on the wholesale market and/or or is appropriate for these to be procured on the balancing platform? Should TSOs be permitted to reserve long-term contracts for flexible gas and/ or associated capacity for this purpose?

Question 29: In your view is it possible in your market to reduce TSOs' reliance on long-term products? If so, how may this be best achieved?

IMBALANCE CHARGES

Question 30: Do you agree with our assessment of the policy options?

Question 31: Do you agree that methods for calculating imbalance charges should be harmonised? If so please explain what the benefits may be. If not, please explain why not.

Question 32: What are your views of the target model? In particular, please provide your views on:

- **Whether an imbalance charge should be applied when TSOs do not take balancing actions;**
- **What the imbalance charge should be based on, if it is applied when the TSO has not taken a balancing action, whether imbalance charges should be dual or single priced;**
- **Whether imbalance charges should be based on the marginal price.**

From a DSO perspective imbalance charges should be paid by users or the shippers who caused the imbalance. How users who are connected to the distribution system are involved in this is not clear to us.

Question 33: What would be the costs and benefits of implementing your preferred options in your Member State?

Question 34: What are your views on the interim steps in the document?

CROSS-BORDER COOPERATION

Question 35: Are there any other relevant policy options on cross-border cooperation that should have been included in this section?

This is clearly a TSO topic, many DSO's service local markets which have their own unique characteristic. Therefore cross border cooperation is at a DSO level less likely because it would mean market model harmonization. This however does not mean that on TSO level cross-border cooperation, harmonization and integration is not possible.

Question 36: Do you agree with our assessment of the policy options in this section?

Question 37: Are Operational Balancing Accounts (OBAs) useful to deal with steering differences? Should the network code make it mandatory on TSOs to put in place OBAs?