



# **ERGEG's consultation on Gas Balancing Framework Guideline**

**Public workshop, Brussels, 12 October 2010**

## 1. Opening

## 2. Setting the scene

- Context and Process, ERGEG
- Gas balancing situation in Europe, KEMA
- Legal requirements and scope, EC

## 3. Views on the consultation

- Overview of the draft FG consultation, ERGEG
- ENTSOG views
- EFET views
- EUROGAS views
- Q&A

- Lunch -

## 3. Design of gas balancing regime

- An industrial customer's reaction
- Lessons from the Dutch experience
- Cross-border balancing – ERGEG
- Cross-border balancing – lessons from electricity? (CRE)
- Q&A

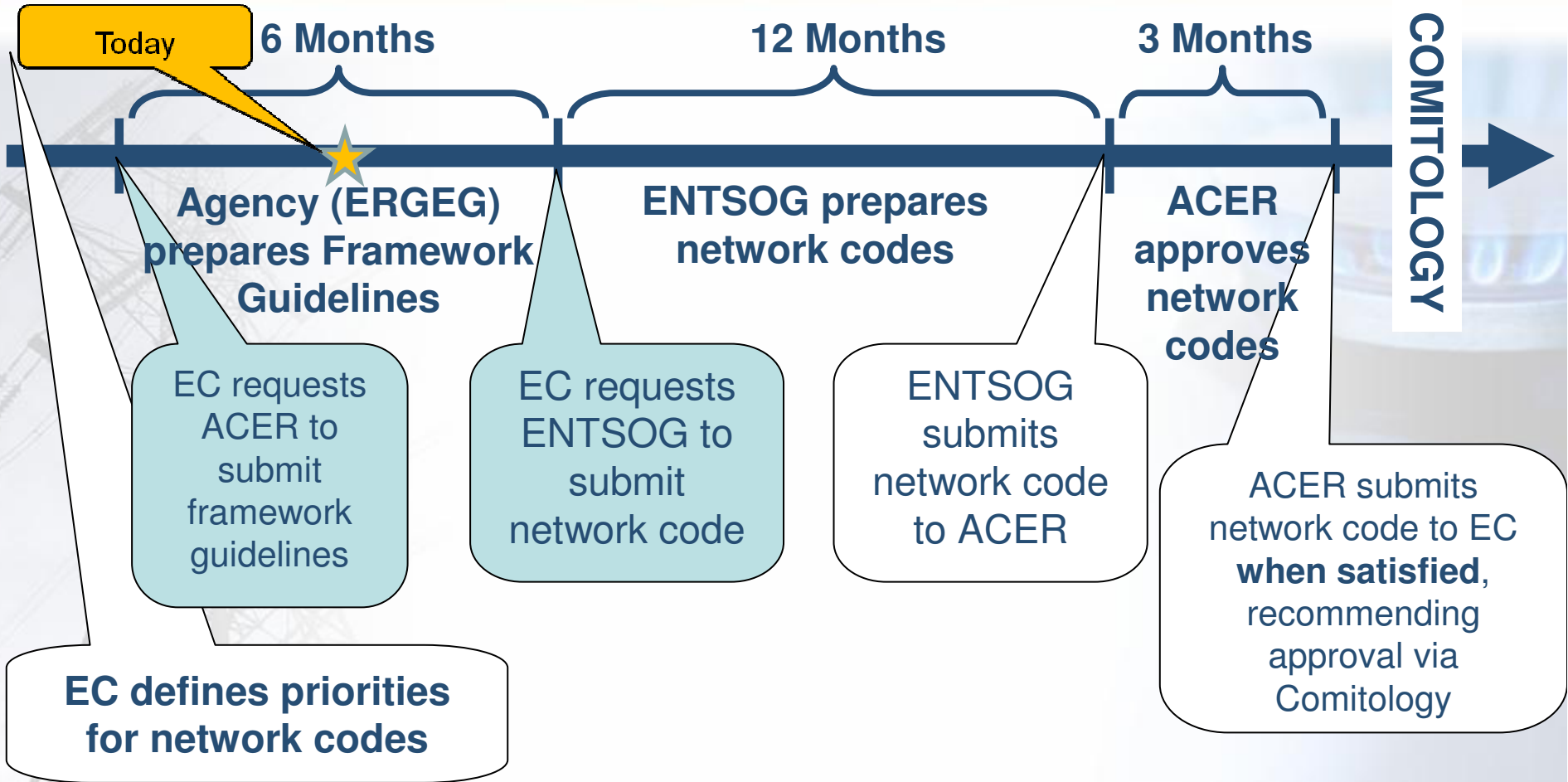


# Context and Process

- ERGEG developing **pilot framework guidelines** for gas (and elec)
  - Ahead of Third Package entering into force & ACER taking over
- ERGEG published pilot **capacity allocation** FG in June 2010
  - Commission letter of September 2010: ERGEG to review FG
- Next FG being developed by ERGEG is for **gas balancing**
- **Madrid Forum** (27-28 Sept 2010): initial stakeholder views on
  - Pilot FG and network code process
  - ERGEG's draft proposals for gas balancing FG



# Basic timeline based on Gas Regulation



In the interim period, ERGEG was invited to assume the role of ACER to avoid delays in the drafting process

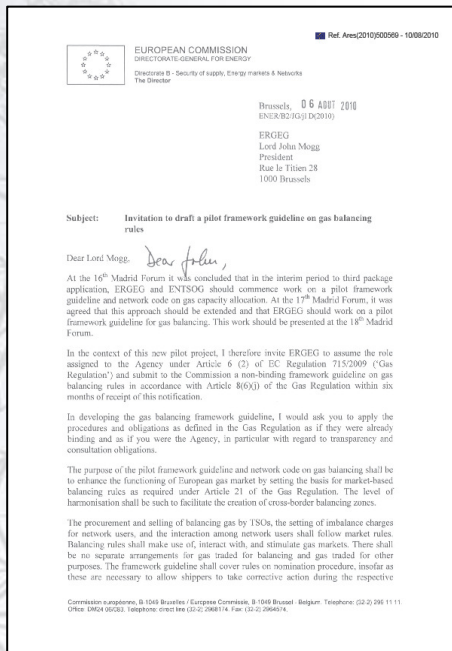


# Where are we now

- **17<sup>th</sup> Madrid Forum** invited ERGEG to develop input to FG on gas balancing rules
- 3 meetings with expert group and on-line discussions
- **Invitation letter** from EC received on **6 August**
- Launch of Public Consultation on 19 August
- **Public workshop today**
- End of Public Consultation on 28 October
- **Submission of draft FG to EC February 2011**

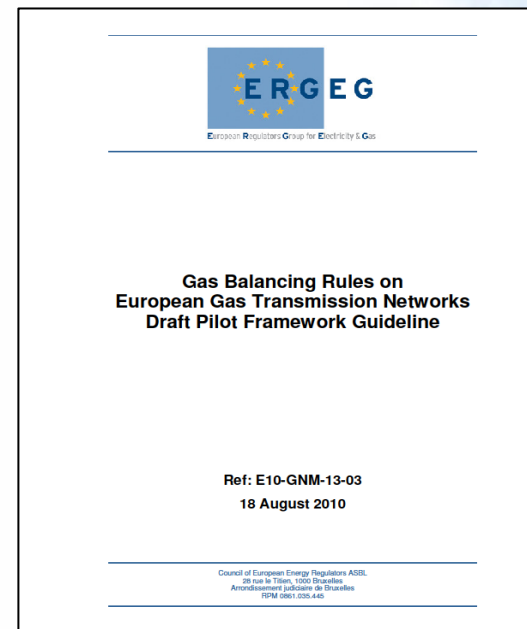
# Commission letter & ERGEG public consultation

## Request by the Commission (6<sup>th</sup> August 2010)



FG submission deadline –  
**within 6 months**

## ERGEG public consultation (19<sup>th</sup> August 2010)



Deadline for responses: **28<sup>th</sup>  
October 2010**





Thank You!



# KEMA Presentation

Gas balancing situation in Europe and  
key issues



# European Commission

Legal requirements and scope



# Overview of the Gas balancing FG

Pamela Taylor, Head of European Strategy, Ofgem

- Vision
- Problem identification
- Requirements of the Gas Regulation
- TSO/shipper roles
- TSO information provision obligations
- Duration of balancing periods
- TSO procurement of balancing services
- Imbalance charges
- (Cross-border cooperation will be addressed during the afternoon)

## Balancing framework guidelines— key to market design (not just technical rules)



### Facilitating a single market

- Remove barriers to cross-border trade created by different balancing arrangements
- Reduce fragmentation of the market by looking at ways to merge balancing zones
- Promote the development of regional markets by encouraging the use of interconnectors (and gas from cross-borders) in balancing



### Develop liquid traded market

- Facilitate new entry by ensuring balancing arrangements are non-discriminatory;
- Promote market liquidity at emerging gas hubs
  - by encouraging shipper trading across timescales;
  - by having market arrangements for TSO procurement of balancing gas



### Suitable for all parts of Europe

- Provides a coherent set of rules, which
  - lead to a common vision of balancing arrangements;
  - can be implemented in network codes and is enforceable by NRAs;
  - take account of the different degree of market development across Europe (need for interim steps)



## Barriers created by current balancing regimes:

- Some imbalance charges penalise new entrants or do not incentivise shippers to balance
- Differences in balancing rules and fragmentation of zones may distort trade
- Limited use of market based mechanisms for TSO procurement of balancing gas reduces market liquidity
- Lack of information or access to liquid short term markets makes balancing by shippers difficult

# Requirements of the Gas Regulation Article 21

- Balancing rules shall be **fair, non-discriminatory, transparent** and **market-based**
- Balancing rules shall reflect '**genuine system needs**' taking into account the resources available to the TSO
- TSOs shall provide sufficient **information on the balancing status** of users, free of charge
- Imbalance charges shall be **cost-reflective** to the extent possible, whilst providing appropriate **incentives** on users to balance inputs and off-takes
- Member States shall ensure that TSOs **endeavour to harmonise** balancing regimes, and streamline structures and levels of balancing charges, to facilitate gas trade

# Requirements of the Gas Regulation Article 8.6.(j)

Network Codes shall cover the following areas:

- **Balancing rules** including network-related rules on **nominations** procedure
- Rules for **imbalance charges**
- Rules for **operational balancing between TSOs' systems**

Scope of FGs is 'cross-border' but as national balancing regimes will impact on cross-border trade, national rules may need to change.

The European Commission invited ERGEG to assume ACER's role and to apply the procedures and obligations as defined in the Gas Regulation as if they were already binding.

# Shipper and TSO roles and responsibilities

## Problem

- Unbundled TSOs will be increasingly separate from the shippers trading gas. The balancing regime needs to be market based.

## ER GEG's proposed policy

- **Target model:** Where there is access to liquid intra-day markets, shippers shall take primary responsibility for balancing during the relevant balancing period and reduce the TSOs' role as much as possible.
- **Interim step:** In absence of liquid intra day market, TSOs can provide day-ahead profiles, and through residual balancing be responsible for balancing intra-day. TSOs may require shippers to keep inputs and offtakes in a certain range and may provide tolerances.

- How can we reduce the role of the TSO and increase that of the market?

# TSO information provision obligations

## Problem

- A lack of transparent and timely information availability reduces shippers' ability to balance their portfolio efficiently
- Risks of discrimination: a lack of transparency also carries risks of discrimination

## ERGEG's proposed policy

- **Target model:** TSOs provide to each shipper, free of charge, its inputs onto the system and off-takes from the system on an hourly basis, and also provide hourly the overall system balance position.
- **Interim step:** TSOs provide to each shipper, free of charge, its inputs onto to the system and off-takes from the system **at least day ahead.**

- Should the Network Code oblige TSOs to provide information beyond the requirements set out in the new Transparency Annex to the Gas Regulation?

# Balancing period

## Problem

- Differences in the definition of balancing periods may distort cross-border trade, however different systems may have different physical requirements.

## ER GEG's proposed policy

- **Target model:** A common European gas day with the possibility for within day constraints
- **Interim step:** Any period other than daily subject to NRA approval

- Is the target model sufficiently harmonised?
- Is it appropriate for the target model to impose within-day constraints on network users?



# TSO Procurement of balancing services

## Problem

- Non-market based procurement of balancing services in some systems reduces market liquidity and makes it difficult to set cost reflective imbalance charges.

## ERGEG's proposed policy

- **Target model:** TSOs to procure balancing services transparently in short term wholesale gas market (or, subject to NRA approval) on separate balancing platforms
- **Interim step:** Exceptionally, tenders or bilateral contracts can be used. TSOs to release flexible gas where they do not need this.

- Do you agree with the target model?
- Is it appropriate for balancing platforms to be part of the target model subject to NRA approval?

# Imbalance charges

## Problem

- Approaches to imbalance charges differ across Europe and are not always cost reflective. This may be a barrier to cross border trade, discriminatory and provide inefficient signals.

## ERGEG's proposed policy

- **Target model:** Imbalance charge based on the cost of TSOs' balancing actions, including an option for "dual pricing" of imbalance charges (i.e. where charges reflect whether the individual imbalance exacerbates or reduces the overall system imbalance).
- **Interim Steps:** Imbalance charges based on a cost proxy

- Do you agree that methods for calculating imbalance charges should be harmonised?
- Should imbalance charges be single or dual priced?



# Cross border cooperation (this will also be addressed during the afternoon)

## Problem

- European gas market is currently highly fragmented – how can we ensure efficient cross-border flows?

## EREGEG's proposed policy

- **Target model:**
  - Cross-border netting (individual network users to net their imbalances between neighbouring markets through virtual bilateral trades)
  - Cross-border pooling (two or more network users in different zones are allowed to net off their imbalances jointly, i.e. cross-border netting with multiple parties)
  - TSO-led cross border balancing
  - Merged balancing zones
  - TSOs to implement OBAs

- What are your views on these options?
- Are there any other relevant policy options that should have been included in this section?

- End of Public Consultation on 28 October
  - The consultation document can be found at [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Framework%20guideline%20on%20gas%20balancing/BG](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Framework%20guideline%20on%20gas%20balancing/BG)
- Submission of Pilot FG to EC February 2011



Thank You!

[www.energy-regulators.eu](http://www.energy-regulators.eu)



# ENTSOE views





# EFET views



# **EUROGAS views**



# Q&A

Discussion with the panel of speakers



# Lunch



# An industrial consumer's reaction

Steinar Solheim, Yara



# Lessons from the Dutch experience

Jan van Dijk, GTS





# Cross-border balancing

Pamela Taylor, Ofgem

# Cross border cooperation

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# Cross-border balancing: lessons from Electricity

Sophie Dourlens, CRE



**Q&A**