

Project Plan Developing Network Code on Gas Balancing

ENTSOG has received the invitation to draft the network code on balancing on 4 November 2011.

The publication of this document will be the start of a formal consultation on the project plan for the development of a network code on balancing.

Interested parties are encouraged to review this document to understand the process proposed by ENTSOG and respond by the deadline of the 16th of November 2011.

Responses should be sent to info@entsog.eu no later than 16/11/2011

Project plan developing network code on gas balancing

Contents

1	Background	3
2	Objective	3
3	Scope	4
3.1	Topics covered in network code	4
3.2	Relation with other network code or guidelines areas.....	5
4	Context of network code development.....	6
5	Project phases	7
5.1	Project plan development.....	8
5.2	Code proposal development.....	8
5.3	Code decision making	10
6	Key deliverables	11
7	Activities and timeline.....	12
8	Stakeholder involvement	12
9	Document management	15
10	Risks	16
11	Conclusions	16

1 Background

Regulation (EC) No 715/2009 defines the process for the development of framework guidelines and network codes (NC).

ACER has delivered a framework guideline on gas balancing and on 4 November 2011 the European Commission has invited ENTSOG to develop a network code on gas balancing in line with the framework guidelines developed by ACER and to submit the network code to ACER within a period of twelve months.

The timescale for developing the network code on balancing is very tight and could have a potentially high impact on TSOs, DSOs, network users and connected infra-structure operators. An intensive and well-organised interaction with all stakeholders is therefore essential to develop a network code that is acceptable to all and meets the objective of facilitating cross-border trade and the development of the internal market for gas. To meet this challenge it is vital to have a robust, inclusive and transparent process that ensures the elaboration of a well-considered and developed network code.

The primary purposes of this document is to explain the key milestones of the development process and to ensure the necessary participation and commitment from relevant stakeholders. The document therefore describes the major steps in the process and how ENTSOG perceives the interaction with wider stakeholders, particularly during the Stakeholder Joint Working Session (SJWS) and formal consultation phases of the network code development.

The main documents supporting the balancing network code process (ACER framework guideline on balancing, ACER's evaluation of responses and the European Commission's invitation letter) are published on the ENTSOG website here: www.entsog.eu, in the 'Publications & Events' section under 'Balancing'.

2 Objective

The objective of the project on developing a network code on balancing is to publish and submit a network code to ACER that is in line with the framework guideline on gas balancing and contributes to the European objective of further developing the internal market for energy. The network code on gas balancing will provide a sound basis for implementing market based balancing rules in which the responsibility to balance the transmission networks is shared between network users and the TSOs.

3 Scope

3.1 Topics covered in network code

The scope of the project is limited to developing a network code on balancing rules for transmission systems based on the contents defined in the balancing framework guidelines and subject to the requirements given in the Regulation 715/2009. The project will also outline and identify the relations with other areas such as Congestion Management Principles (CMP), Capacity Allocation Mechanisms (CAM), Interoperability and Tariffs. The balancing network code will provide rules that apply under conditions that are not qualified as an emergency as defined in Article 10(3)(c) of Regulation (EC) 994/2010.

As a consequence, the project will be focused on the following topics:

- The roles and responsibilities for network users and TSOs
 - A shared responsibility model between network users and TSOs
 - Obligations and incentives for network users to support the balancing of the transmission network
- Balancing tools for the TSO:
 - Buying and selling flexible gas
 - Definition of standardised products
 - Balancing services
 - Establishment of a “merit order” on TSO balancing actions including short term standardised products and balancing tools available to manage the system
 - Costs and neutrality of balancing
- Description of the balancing period and nomination process:
 - Balancing period
 - Within-day obligations allowed
 - Nomination procedures
- Imbalance charges:
 - Definition of volume and price of imbalance
 - Neutrality concept Development
 - Recovery charge principles
- TSO information provision obligations:
 - Information flows and timing to network users (day ahead / within day /day after)
 - Forecasting methodologies and allocation algorithms
 - Cooperation model of DSOs and other stakeholders to support the fulfilment of TSO’s obligations

- Cross-border cooperation:
 - Definition of potential valuation methods of cross-cooperation projects.

The TSO's network and market environment in the different EU member states show many similarities but also some considerable variances. These variances must be taken into account when developing a network code on balancing, weighing the benefits of harmonization against the cost of balancing rules that do not deliver efficient outcomes in the context of genuine system needs.

3.2 Relation with other network code or guidelines areas

The network code on balancing will be developed taking account of the anticipated provisions in the CMP annex to regulation 715/2009 and the network code on CAM. It is assumed that CMP and CAM will be adopted in line with current provisions – changes may impact the development of the balancing network code.

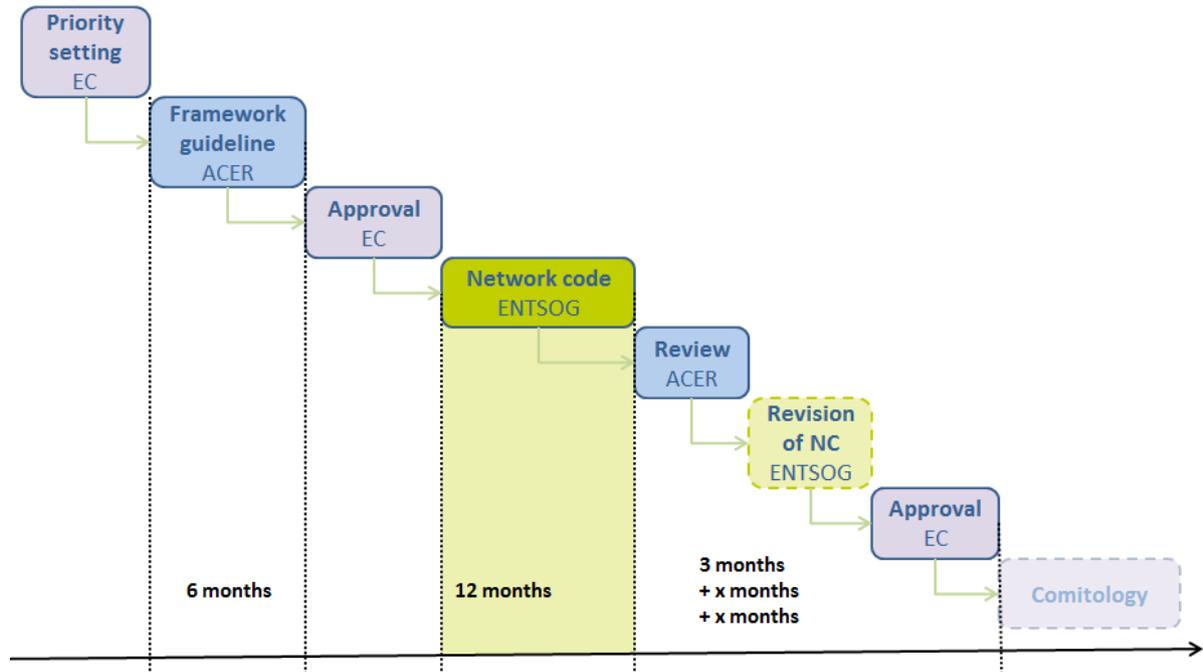
Where detailed procedures on the cooperation between TSOs are needed beyond the requirements and processes described in the network code on balancing, these will be considered in the scope of the interoperability network code.

Financial arrangements described in the balancing network code might need to be taken into account in the network code/guideline on tariffs.

4 Context of network code development

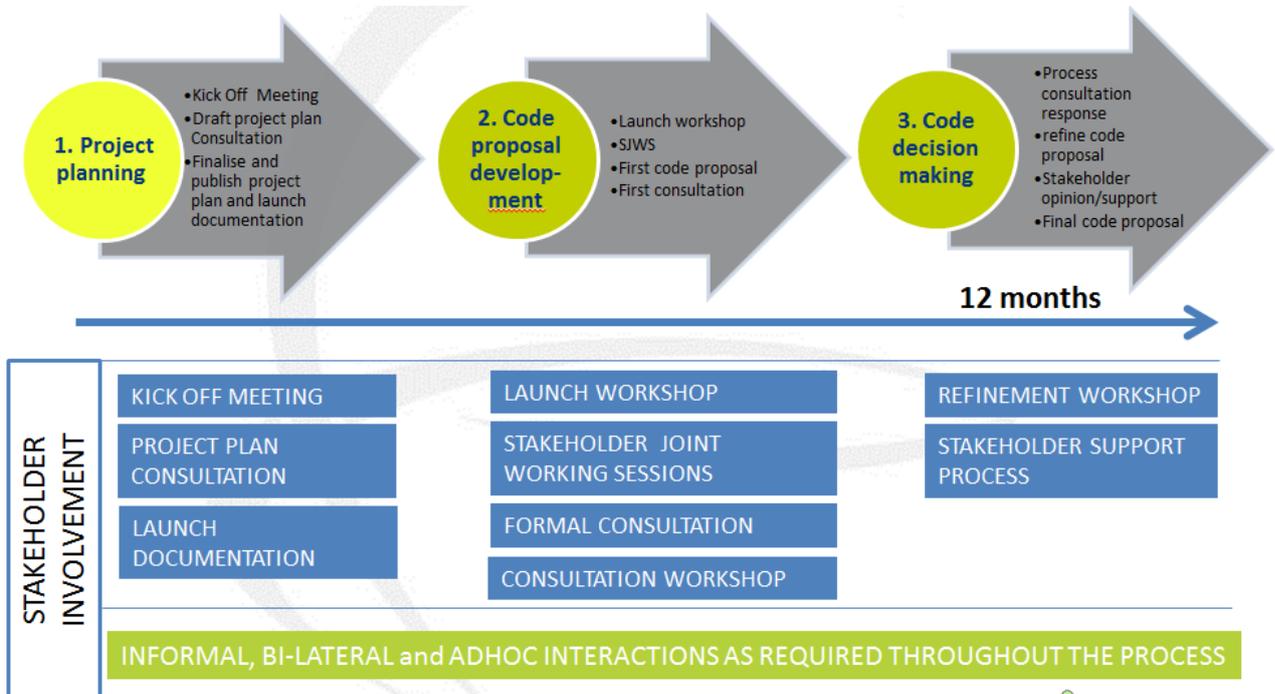
The network code development is a vital part of the overall process of delivering binding rules to promote the completion and functioning of the internal market an cross-border trade of natural gas. Below, a graphic overview shows the entire binding rules development process:

Overview of network code process



5 Project phases

The dedicated network code development period is divided into different phases as illustrated below.



It is essential that stakeholders are involved in all phases of the network code development process including:

- Project planning
- The core interactive network code development proposal activity associated with stakeholder involvement before and during the Stakeholder Joint Working Session part of the process including the consultation on the first code proposal
- The network code decision making process

Frontloading Key: To allow maximum opportunity to take account of all views when formulating the network code stakeholders must be involved early in the development process to ensure that their positions are well understood. Major changes and proposals late in the process will be difficult to accommodate and so ENTSOG aspires to create a genuine collaborative effort early in the process to identify approaches that deliver on the policy objectives but which also attract the broadest support possible amongst all actors.

5.1 Project plan development

Feedback from this general project plan consultation will define the key participation in the main network code development period.

Planned start 26 October 2011

Main activities Kick-off meeting

Consult on initial project plan

Finalization of project plan and Launch documentation

Publish project plan

Key Deliverables Project plan
Launch documentation

Stakeholder involvement

During this phase of the project stakeholders can respond to the project plan consultation. Stakeholders are asked to indicate their level of involvement in the network code development process, ranging from very dedicated participation and active contribution to no interest in the process. More information is given in chapter 8 “Stakeholder involvement“. A pro-forma response is included with this plan, in which stakeholders can indicate the level at which they would like to be involved. ENTSOG will also look for opportunities to engage with stakeholders in an information session. This interaction can be either bilaterally or on the basis of meetings for wider stakeholder participation. This activity is part of the network code development project and has been identified only recently. This means that the time to plan such session will be short and can for this project only be done on a best effort basis.

5.2 Code proposal development

This phase is aimed at an intensive interaction with stakeholders to deliver a first code proposal for consultation.

Planned start 13 December 2011

Main activities Launch meeting

Stakeholder interaction through Stakeholder Joint Working Sessions (SJWS)

Draft initial code proposal

Consultation on initial code proposal

Consultation workshop

Key products For each SJWS invitation, agenda, supporting materials and minutes
Initial code proposal

Stakeholder involvement

- Project launch workshop

This workshop is intended to provide further clarification of the framework guideline and to explore early stakeholder reaction to the launch documentation and key concepts that will underpin the network code development.

- SJWS

The SJWS are working sessions which will enable exchange and development of ideas for inclusion in the network code. During this phase of the network code development activity ENTSOG envisages wide interaction with all actors. These sessions will be open to all and will be held at regularly intervals as specified in the Project planning section of this document (chapter 7).

- Primemovers

The stakeholders committing most actively participate to the process shall form a group of prime movers that will support ENTSOG by interactively discuss the content during the development of the code. Such interactions are likely to be intense and time consuming, but it is believed that the commitment of at least a small but diverse group of stakeholders will be critical to developing robust projects and therefore assure the success of the project.

- Consultation workshop

Midway through the consultation period ENTSOG will organize a workshop on the initial code proposal. The aim is to give an overview of the results from the SJWS and rationale behind the initial code proposal.

This initial development effort will support the draft ENTSOG network code proposal suitable justified in the context of the wider stakeholder engagement.

This proposal will be the subject of a formal consultation. ENTSOG will communicate with any respondent requesting a discussion and may make contact with any respondent where such contact might assist to understand the consultation responses and better inform ENTSOG's final network code proposal.

A more detailed explanation of the stakeholder engagement process is described in the “ENTSOG Guidelines on Stakeholders Interaction during Network Code Development Process” which are published on the ENTSOG website under www.entsog.eu/publications/index_g_proc.html

5.3 Code decision making

This part of the process is designed to deliver a final network code for approval.

<u>Planned start</u>	12 June 2012
<u>Main activities</u>	Process consultation responses Refinement of code proposal Get stakeholder opinion/support Finalize ENTSOG proposal Submit network code to ACER
<u>Key products</u>	Refined code proposal Analysis of consultation responses Network code on balancing

Stakeholder involvement

Having taken account of the draft network code consultation feedback ENTSOG will publish conclusions, organize a workshop for stakeholders on the analysis of the consultation and refinements ENTSOG is planning to make to the initial code proposal. ENTSOG expect that Stakeholders will be asked for a final opinion as to whether the proposed network code is an improvement on the status quo.

The feedback from this process will inform ENTSOG’s final decision whether to recommend the code for implementation.

6 Key deliverables

During the development of network code on balancing ENTSG plans to produce the following deliverables:

Project Management

- Project Plan

Launch Documentation

- Final Project Plan to be refined after consultation including initial considerations on the network code

SJWS meetings with Stakeholders

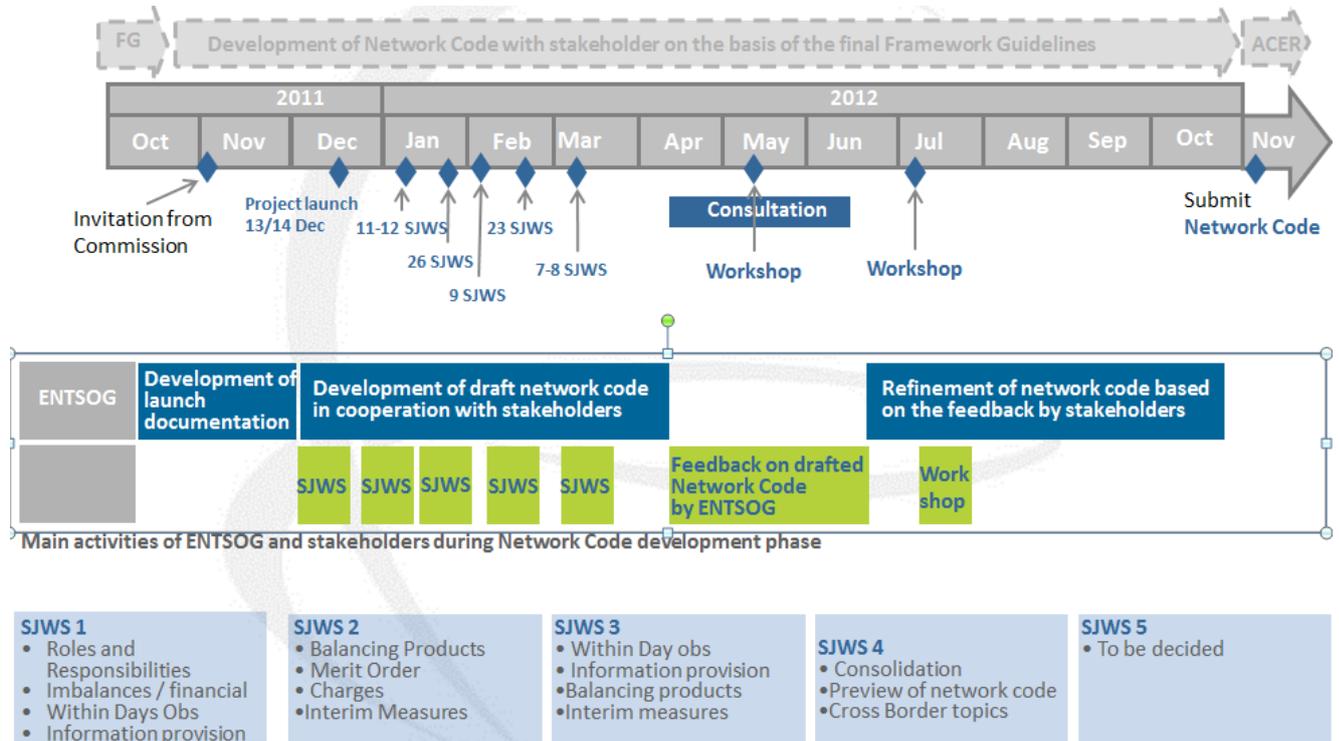
- For each SJWS: invitation, agenda, supporting material, minutes and conclusions

Network Code

- Initial code proposal
- Consultation Responses Analysis Report
- Network code on balancing

7 Activities and timeline

The diagram below illustrates the time schedule for code proposal development.



8 Stakeholder involvement

Regulation (EC) 715/2009 requires ENTSOG to “conduct an extensive consultation process, at an early stage and in an open manner, involving all relevant market participants”. ENTSOG proposes to go beyond this and invites all stakeholders to indicate their intended level of participation so that ENTSOG will be able to manage the logistics of the process. To manage stakeholder involvement ENTSOG therefore identifies four different levels of stakeholder involvement and will ask respondents to indicate the level at which they intend to commit themselves. The table below identifies the different levels of commitment.

Level	Description	Comments
1	Prime Mover	Committed to work on a bilateral basis and dedicate a lot of resources to assist formulate and evaluate/refine ideas/proposals for SJWS consideration – commitment to be intensive and involving many days during intensive phases of the network code development
2	Active SJWS Participant	Expected to attend all SJWS and to read and review all material prior to meetings and to be prepared to explore detail within the SJWS – commitment of around 3 days per month during intensive period of activity
3	Consultation Respondent	Will respond to consultations
4	Observer	Expected not to actively contribute to the development effort or to participate in the formal consultations

SJWS

As detailed in the chapter 7, ENTSOG plans to have several Stakeholder Joint Working Sessions in which the concepts outlined in this document are discussed thoroughly and further developed to inform and shape the development of the code. The table provides a list of the sessions foreseen during the respective project phase and workshops planned as part of the project:

	Start	Finish
<i>Project launch workshop</i>	<i>Tue 13/12/11</i>	<i>Wed 14/12/11</i>
<i>SJWS meeting 1</i>	<i>Wed 11/01/12</i>	<i>Thu 12/01/12</i>
<i>SJWS meeting 2</i>	<i>Thu 26/01/12</i>	<i>Thu 26/01/12</i>
<i>SJWS meeting 3</i>	<i>Thu 09/02/12</i>	<i>Thu 09/02/12</i>
<i>SJWS meeting 4</i>	<i>Thu 23/02/12</i>	<i>Thu 23/02/12</i>
<i>SJWS meeting 5</i>	<i>Wed 07/03/12</i>	<i>Thu 08/03/12</i>
<i>Consultation workshop</i>	<i>Tue 24/04/12</i>	<i>Tue 24/04/12</i>
<i>Code refinement workshop</i>	<i>Tue 31/07/12</i>	<i>Tue 31/07/12</i>

Unless otherwise publically announced, all meetings will be held in Brussels. ENTSOG will inform the participants on the exact venue and will publish meeting material in due time prior to such meetings.

ENTSOG recognises the significant challenge associated with the communication and the development of mutual understanding of all actors' positions during the entire twelve month process. ENTSOG will therefore ensure that all stakeholders are kept up to date via a combination of direct mailings or via ENTSOG website updates. All formal meetings will be documented and action logs will be maintained, updated and published as appropriate.

Bilateral meetings

In addition to the planned interactions with stakeholders during the code development ENTSOG is open to interaction with stakeholders on a bilateral basis both before and during all phases of the project. This will assist the understanding of different perceptions of the issues, challenges and opportunities afforded by the code development and to assist preparation of concepts for further SJWS or subsequent considerations for the draft network code on balancing.

An effective process will require engagement with stakeholders throughout the process, possibly involving either bilateral or multilateral meetings with associations and individual companies. ENTSOG would welcome views from respondents about how best to achieve this and particularly views on the use of:

- Webinars
- Teleconferencing:

Both could be used to facilitate surgeries to facilitate discussions about specific issues or to allow stakeholders to raise any issues or ideas they may wish to explore.

Distribution System Operators (DSOs)

The DSOs have an essential role in cooperating with the TSOs with regards to requirements on information provision. Already in an early phase of the preparations for the network code development process ENTSOG and the European associations representing the DSOs have started to investigate how this enduring cooperation could be implemented. ENTSOG and the DSOs will continue this cooperation during the network code development and extend it to drafting the relevant sections of the network code on gas balancing.

Press

The kick-off workshop hosted by ENTSOG on the 26th of October 2011 was attended by several journalists, which ENTSOG welcomes. A specific issues was discussed on press participation in the SJWS sessions and whether press presence may inhibit an open dialogue.

Three approaches might be considered:

- Press attendance and subsequent attributed reporting
- Press attendance on a Chatham House basis
- No press attendance.

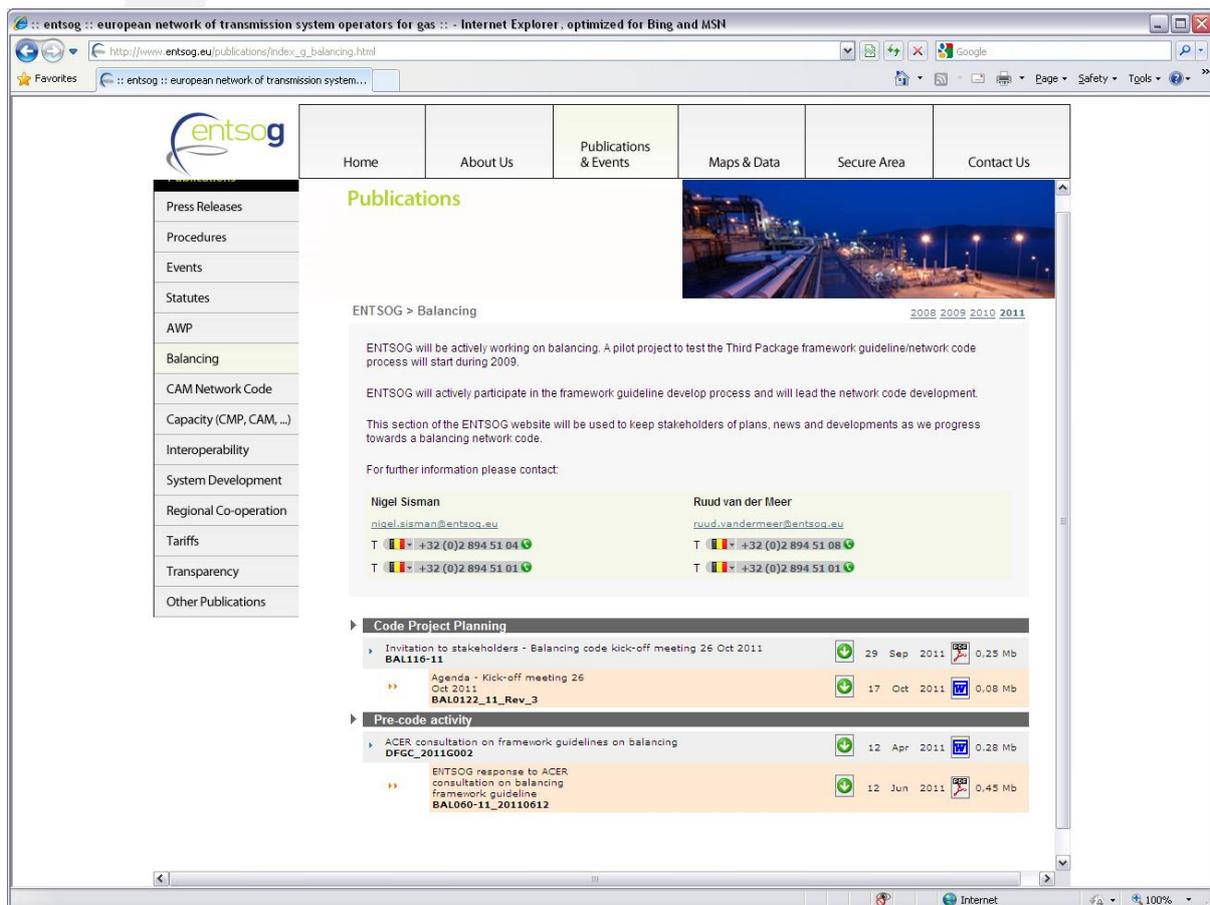
In the event of the third option being preferred, ENTSOG would support a discussion with the press on a frequent basis, to keep them apprised of developments. Respondents views are sought on this matter and the rationale for their preference.

9 Document management

According to this plan and to the Guidelines on Stakeholder Engagement Process, ENTSOG conducts the network code development project in a fully open and transparent manner. Stakeholders' involvement both during the interactive design phase and the formal consultation phases secures the openness of the process. Other means of assuring a transparent process consist of comprehensive publication of all discussed and developed material throughout the process.

As confirmed during the consultation on this project plan, ENTSOG has and will continue to extensively make use of its website to make available all balancing network code relevant material, at the following location: http://www.entsog.eu/publications/index_g_balancing.html.

The website is structured according to the different phases of the process, all documents remaining available at all time, but the most relevant ones at a given point in time being put forward. The following picture illustrates the organisation of a given section and the different documents relating to it, with their corresponding status (see illustration below).



The screenshot shows the ENTSOG website interface. The main content area is titled 'Publications' and is focused on 'Balancing'. It includes a navigation menu on the left with categories like 'Press Releases', 'Procedures', 'Events', 'Statutes', 'AWP', 'Balancing', 'CAM Network Code', 'Capacity (CMP, CAM, ...)', 'Interoperability', 'System Development', 'Regional Co-operation', 'Tariffs', 'Transparency', and 'Other Publications'. The main content area contains text about ENTSOG's work on balancing, including a pilot project in 2009. It also lists contact information for Nigel Sisman and Ruud van der Meer. Below this, there are two sections: 'Code Project Planning' and 'Pre-code activity', each containing a list of documents with their titles, dates, and file sizes.

Section	Document Title	Date	Status	File Size
Code Project Planning	Invitation to stakeholders - Balancing code kick-off meeting 26 Oct 2011	29 Sep 2011	Green checkmark	0,25 Mb
	Agenda - Kick-off meeting 26 Oct 2011	17 Oct 2011	Green checkmark	0,08 Mb
Pre-code activity	ACER consultation on framework guidelines on balancing	12 Apr 2011	Green checkmark	0,28 Mb
	ENTSOG response to ACER consultation on balancing framework guideline	12 Jun 2011	Green checkmark	0,45 Mb

10 Risks

Developing a network code on balancing is a complex process. The starting point for the network code is the framework guideline on balancing. Interpretation will be a major issue and ENTSOG will work with those who have written the framework guideline to ensure a common understanding so that assumptions can be well documented in the launch documentation. Early understanding of those elements that might be conflicting in the framework guideline is needed, to ensure the timely development of the network code.

A second aspect that makes the project a complex one is the number of stakeholders and different interest of different (groups of) stakeholders, especially in combination with the tight and firm deadline under which the network code has to be developed. Early and thorough engagement of stakeholders is a key measure to mitigate this risk as much as possible.

The deadline for finishing the project is tight and firm. Therefore ENTSOG must keep the tight timelines and ask stakeholders to respect these timelines. ENTSOG staff will be open for bilateral discussion of issues that arise or explain topics on a bilateral basis.

11 Conclusions

ENTSOG is therefore looking forward to working with all stakeholders on this challenging and exciting project.

In order to ensure the best possible work process ENTSOG would like to get stakeholders feedback on the proposed network code process. Stakeholders are therefore invited to answer the following questions:

1. What do you expect to be your organisations' level of involvement during the network code development (see chapter 8 for further information)?
 - a. Prime mover
 - b. Active SJWS participant
 - c. Consultation Respondent
 - d. Observer
2. According to your opinion does the project plan for a development of a network code on balancing provide a sufficient basis for a quality stakeholder involvement given the timelines within which this project must be delivered? If no please propose any improvements to be made.
3. What do you think of the proposed timeline, including frequency and number of meetings? Are any changes needed?

4. What do you think of the proposed topics and scheduling for each Stakeholder Joint Working Sessions (SJWS)? Which other topics might be included?
5. What is your view on our ideas regarding use of webinars, teleconferencing? Do you have any other suggestions that might enhance this process?
6. What are your view on press participation on the SJWS and other workshops?

Responses should be sent to info@entsog.eu at ENTSG no later than 16/11/2011.

A response form is annexed to this project plan.

We look forward to hear from you and to working together with you in the network code development phase for balancing.

Appendix A – Project Plan

