

ENTSO conference centre (ground floor), 100 Av. de Cortenbergh, B-1000 Brussels, Belgium

AGENDA

DAY 2 – Thursday, 8 March 2012

No.	Description	Presenter	Time
	Pre-workshop coffee		from 9:00
1.	Within-day obligations (WDOs) <ul style="list-style-type: none"> Ensuring alignment between commercial model and physical 'Only where necessary' Encouraging competitive market in short-term flexibility Discussion & Conclusions 	S. Egberts, GTS	9:30-11:00
	Coffee break		11:00-11:15
2.	Information provision <ul style="list-style-type: none"> Approach to information provision Consideration of stakeholder feedback to date Discussion & Conclusions 	J. Quainon, GRTgaz	11:15-12:30
	Lunch		12:30-13:30
3.	Transitional “roadmaps” and interim measures <ul style="list-style-type: none"> Exploring the transition framework guidelines elements Discussion & Conclusions 	N. Sisman	13:30-15:00
	Coffee break		15:00-15:15
4.	Conclusions <ul style="list-style-type: none"> Observations on SJWS consultation process 	Stakeholders	15:15-15:45
5.	Process next steps and closing	N. Sisman	15:45-16:00



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 in 24 EU countries

3 Observers from EU affiliate countries
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 - Plinacro Ltd (Croatia)
 - Swissgas AS (Switzerland)

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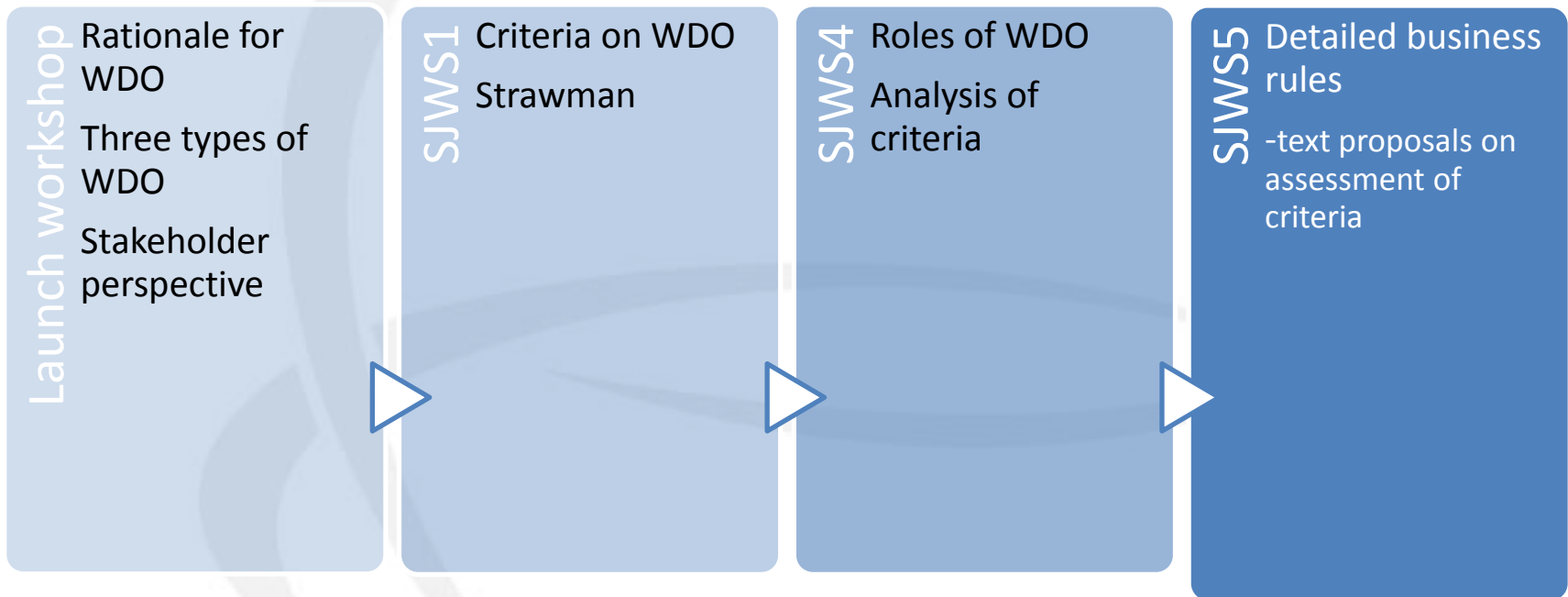


Within-day incentives

Sandrie Egberts

Brussels -- 7 March 2012

Evolution of topic



Role of WDO in market based balancing

Where TSO needs to manage within-day positions of the network, WDO can

- Reduce the role of the TSO
- Support market based mechanisms to manage within-day positions
- Leave choice to network users
- Minimize the need for balancing services
- Allow for targeting cost of TSOs balancing actions

Possible elaboration of criteria for NRA assessment: genuine system needs

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “it is necessary to ensure system integrity”

ENTSOG proposal: When assessing the above criterion, the NRA **shall request quantitative evidence from the TSO as to how WDO will contribute to system integrity, taking into consideration own flexibility means and short term standardised products.**

Views of stakeholders?



Possible elaboration of criteria for NRA assessment: NU incentives

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “.. in order to ensure system integrity and to minimise the need for the TSO to take balancing actions, it is necessary to incentivise network users to take appropriate balancing actions during the day”

ENTSOG proposal: When assessing the above criterion, the NRA **shall consider to what extent the wdo will minimize the TSO's use of the four short term standardised products and balancing services when keeping the system within an accepted operational envelope.**

Views of stakeholders?



Possible elaboration of criteria for NRA assessment: cost reflectivity

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “the charge for not meeting the obligation is, to the extent possible, cost reflective and does not pose any undue barriers on new entry into the European markets or to cross-border trade”

ENTSOG proposal: When assessing the above criterion, the relevant NRAs **shall cooperate and consider the extent to which :**

- the charge corresponds to the actual cost of balancing arising from non-compliance with the WDO;
- the WDO represents a barrier to entry of network users into the European market who do not benefit from economies of scale and/or scope;
- the WDO leads to usage of flexibility from neighbouring balancing zones resulting in a shift of risk and cost for users from one balancing system to another.



Views of stakeholders?



Possible elaboration of criteria for NRA assessment:

no intra-day settlement to zero

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “it does not result in network users being financially settled to a position of zero during the gas day”

Sufficiently clear

Views of stakeholders?



Additional criterion on minimizing cost

Feedback from SJWS4

ENTSOG proposal: When assessing wdo and within-day settlement proposals the NRA shall assess the requirement that any buying and selling of gas from accounts of network users in order to manage the within-day position of the network is carried out only to an extent necessary to bring the system within its operational envelope.

Views of stakeholders?



Possible elaboration of criteria for NRA assessment: “proportionality rule”

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “the main costs to be incurred by network users in relation to their balancing obligations shall relate to their position at the end of the day (and the charges relating to the within-day obligation shall only be a small proportion of any imbalance charges)”

ENTSOG proposal: When assessing the above criterion, the NRA **shall have regard to the charges likely to be incurred for end-of-day positions, relative to other Balancing Activity Charges (as defined in DBR Neutrality section 2.2) over the entirety of network users over a period of a gas year**

Views of stakeholders?



Possible elaboration of criteria for NRA assessment: information provision

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “network users are provided with sufficient information to enable them to comply with the obligation”

ENTSOG proposal: When assessing the above criterion, the NRA shall consider **whether network users have sufficient information to assess its position relative to the obligation**

Views of stakeholders?



Possible elaboration of criteria for NRA assessment:

The national regulatory authority shall not prohibit the introduction of a within-day obligation by a TSO provided that it complies with the following condition:

- **FG criterion:** “it has been subject to the analysis of the likely financial impact on network users, the effect this may have on market entry, cross-border trade, hub liquidity and has been shown to not be discriminatory”

Clear obligation on TSOs

Views of stakeholders?



Impact assessment of proposed wdo

ENTSOG proposal: When assessing any wdo proposal, the relevant NRAs shall consider

- any additional costs and risks for network users, taking account of any information collected during TSO's consultation process on the wdo proposal
- whether the benefits in terms of economic and efficient operation of the transmission system outweigh any potential negative impacts.

Consultation on existing wdo

To assess whether existing wdo do meet the criteria of the network code TSOs will consult on existing wdo as if TSO were proposing to introduce these wdo

TSO will deliver the report on the consultation, including the analysis within one year after the nc have been adopted.

NRAs will give a reasoned decision before two year after adoption of the nc.

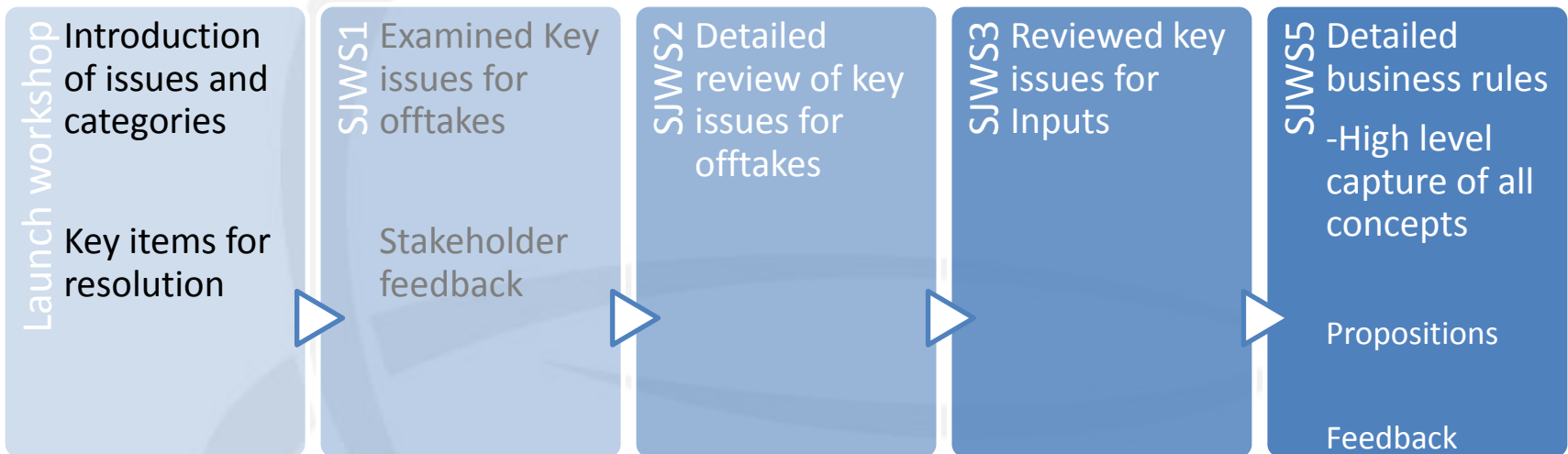


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Information Flows to Network Users

Introduction

- Information flow provisions covered in previous SJWS.



- Propose to provide a high level overview in SJWS5
- The information flows provisions are intended to deliver a suite of information to support Network Users in balancing their portfolios

Information to be provided by the TSO

- Overall status of the system
 - The amount of gas in the transmission system at the start of each gas day + forecast amount at the end of each gas day, updated each hour
 - Or aggregate imbalance position of all network users at the start of each gas day + forecast of the aggregated imbalance position at the end of each gas day
- TSO actions to buy and sell gas
 - Marginal Buy Price and Marginal Sell Price
 - TSO shall publish the value of the balancing services it has procured and the use it has made of these services

Relook at Approach

Offtakes

- NDM 3 key models (per framework guidelines)

Base Case
EOD Forecasts

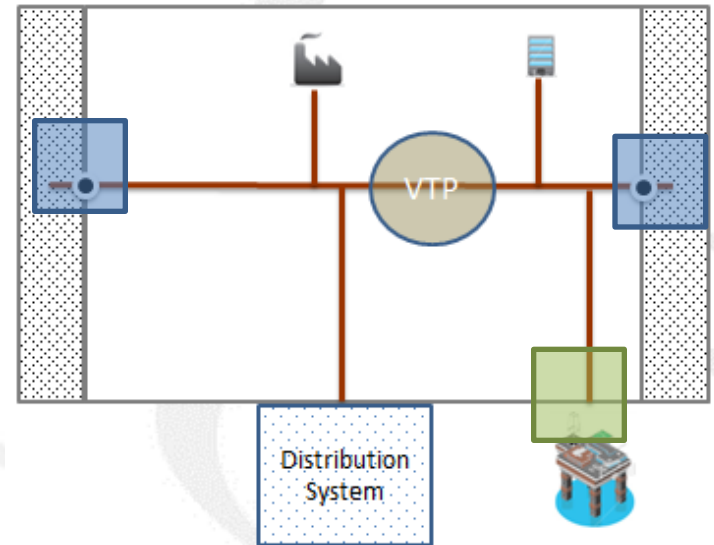
Variant 1
Within Day Flows

Variant 2
Day Ahead EOD
Forecast

- Network User DM
 - Allocation information
 - In case of Variant 1 – apportionment of measurement including DM
- IDM updated at least twice within the Gas Day

Inputs

- At Entry or Exit Points where a Network Users allocation equals its confirmed nomination
 - Confirmed nomination
- If not;
 - at least twice per Balancing Period each Network Users position
 - or
 - If TSO is not the party responsible for apportioning the gas between Network Users at least twice per Balancing Period, the input and/or offtakes flows in aggregate.
- The information provision in this section relates to Relevant Points as defined in the Transparency Guidelines.

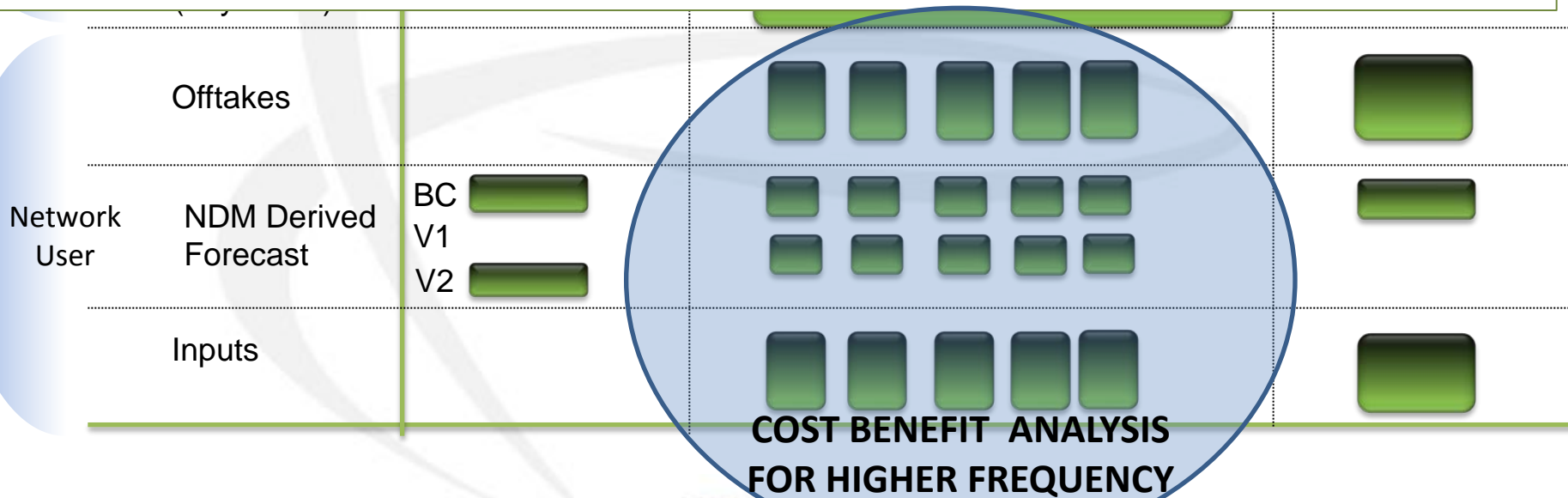


Information Provision - Timescales

		DAY AHEAD	WITHIN DAY		After the Day (allocations)	
System	Overall status of the system		[Green bar]			
	TSO actions (buy & sell)		[Green bar]			
Network User	Offtakes		[Green box]	[Green box]	[Green box]	
	NDM Derived Forecast	BC	[Green box]	[Green box]	[Green box]	
		V1		[Green box]	[Green box]	
		V2	[Green box]		[Green box]	
Inputs		[Green box]	[Green box]	[Green box]		

Information Provision - Timescales

- Where a more frequent level of information is already provided by a TSO to Network Users in an existing model, this can continue
- Within 2 years of adoption of the network code, TSOs shall assess the costs and benefits of more frequent information provision
 - Consult stakeholders in cooperation with affected DSOs



Information Provision – Portfolio Balancing

- A Network User needs the suite of information provided by the TSO to allow it to manage its Imbalance exposure
 - Overall status of the system
 - TSO actions to buy and sell gas
 - Aggregate network user information
 - Individual network user information

		DAY AHEAD	WITHIN DAY		After the Day (allocations)
System	Overall status of the system		[Green bar]		
	TSO actions (buy & sell)		[Green bar]		
Network User	<u>Offtakes</u>		[Green bar]	[Green bar]	[Green bar]
	NDM Derived Forecast	BC	[Green bar]	[Green bar]	[Green bar]
		V1	[Green bar]	[Green bar]	[Green bar]
	V2	[Green bar]	[Green bar]	[Green bar]	
Inputs		[Green bar]	[Green bar]	[Green bar]	



- Regular updates of this information allows Network Users to amend their imbalance position and react ahead of any potential TSO action:
 - Amend their Nominations (inputs and off-takes)
 - Trade on the wholesale market
- By helping the TSO keep the system balanced
 - No TSO actions are taken
 - SMP = average price +/- small adjustment

NDM Derived Forecast

Additional Features

Taking into consideration Stakeholder Feedback and discussions with DSOs have resulted in the following additional proposals:

1. DSO has responsibility to provide all available data
2. Role of Forecasting Party is to be defined nationally
3. Methodology to undergo public consultation
4. Methodology to be based on load profiles
5. Regular publication of the accuracy of this information
6. Incentive on NDM Derived Forecast Accuracy an option
7. Rules on DSO providing TSO with required Information

Format of Information Provision

○ Information published will be:

- on a website;
- in a user-friendly manner;
- in a clear, quantifiable, easily accessible way and on a non-discriminatory basis;
- in downloadable format that allows for quantitative analyses;
- in consistent units
- in the official language(s) of the Member State and in English.

Harmonisation

Frequency of Information

- ENTSOG rules based on framework guidelines
 - At least twice
 - Cost Benefit Analysis (CBA) required to determine if increased frequency is beneficial to that regime

The rules proposed will bring all parties to a minimum level of information harmonisation across Europe – do not prevent further info, CBA to support this approach

Additional Features

NDM Derived Forecast Accuracy

- Tolerances can be used to support interim phase (while information provisions are developed/refined)
- Consultation on Methodology (based on load profiles) required to ensure all stakeholders views are considered and the chosen methodology employed is robust
- Accuracy Incentive and publication of results, should provide stakeholders with confidence of the accuracy of the forecast

ENTSOG believe these measures which we propose address this issue for Network Users?



Questions



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Transition

- Developing business rules

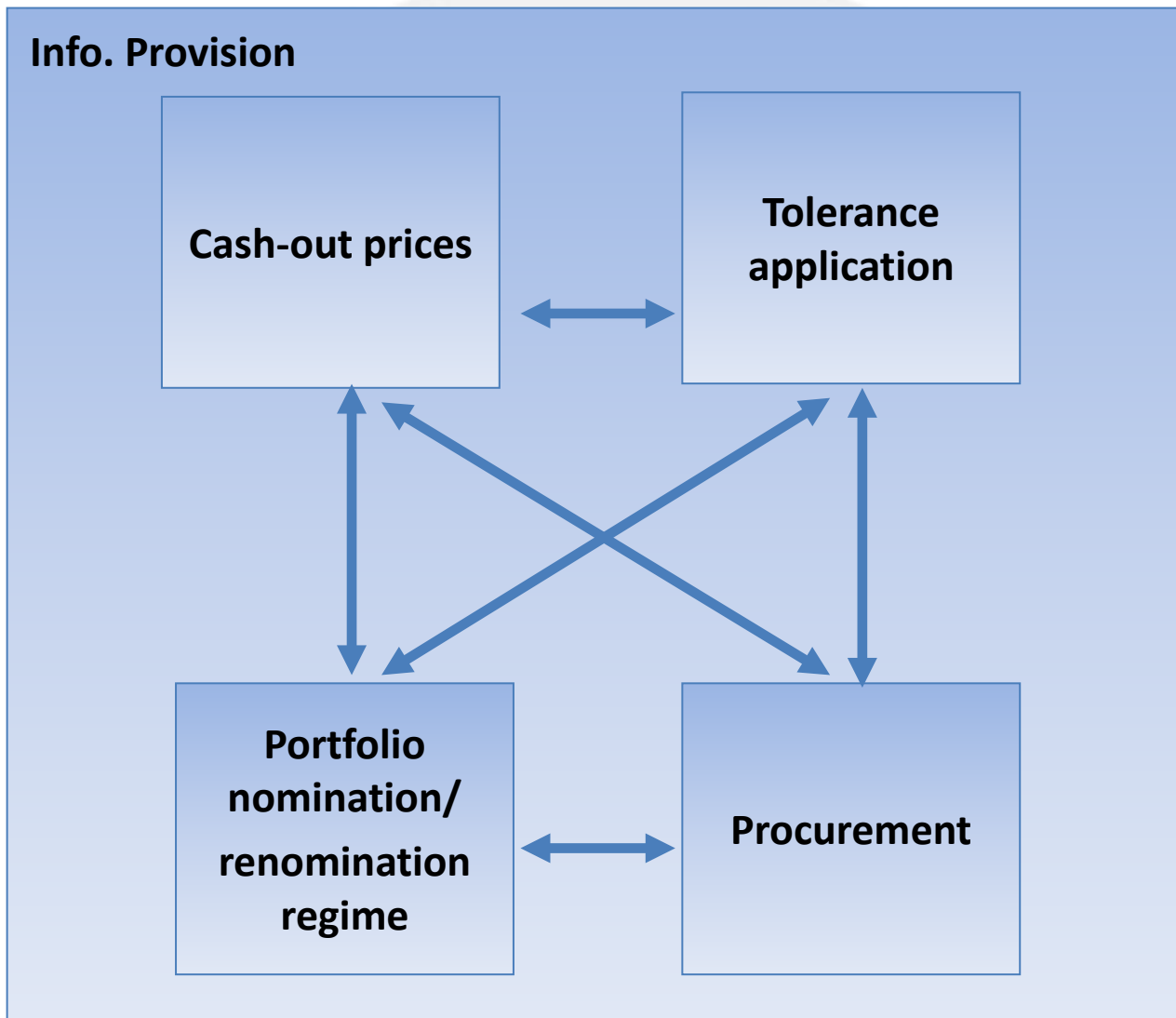
Nigel Sisman

Business Area Manager, Markets

BAL252-12 Rev0.3

Balancing network code SJWS5, Brussels, 8 March 2012

Transition to BTM via interim measures



Understanding interactions is critical to define efficient and orderly transition

Transition “roadmap” of a TSO

Criteria for Roadmap of interim steps

- “where market is insufficiently liquid”

Roadmap proposals

- Initialisation
 - Submitted initially for approval by NRA and for information to ACER
- Annual review
 - Revised each year by TSO for NRA approval and for information to ACER

Review of progress towards Balancing Target Model

- ENTSOG to regularly review progress towards implementation of the network code

Roadmap interim steps – conditions for use

Balancing platform

- ... “where wholesale market is insufficiently liquid”
- (or where temporal and locational products cannot reasonably be procured)
- ... may cover more than one balancing zone
- ... some exemptions available

Tolerances

- “where insufficient liquidity in the wholesale market”

Price proxy for imbalance cashout

- “where insufficiently liquidity in the wholesale market”

Release of surplus flexibility

- ... to foster “liquidity” in the short-term balancing market

Roadmap – other desirable features?

Portfolio nomination rules to focus liquidity

- ... rules to maintain initial indicated imbalance?
- ... opportunity to match demand changes?

Other requirements?

- ... where network users can't access flexible gas

... now is the opportunity to identify anything else that will support transition

Transitional Business Rule Development

- Strawman Proposal

ENTSOG will seek to refine the following strawman rules in the light of feedback received today at SJWS5 and in any other written feedback received by close of business on 9 March

Business Rule Development - 1

Interim steps & roadmap proposals

- To be proposed by TSOs
- Roadmap revised each year by TSO for NRA approval

Section 1. Interim steps and roadmap proposals

1. Where the TSO seeks to apply interim steps, it shall submit a roadmap proposal, which has been the subject of public consultation, to the NRA and to ACER, providing an assessment and rationale for the case for interim steps.
2. The TSO shall send the first proposals to the NRA and ACER within [3] months of the adoption of the code.
3. The proposed roadmap shall define a plan for moving away from the interim measures at the latest within five years of entry into force of the network code.
4. The roadmap shall be updated on a annual basis to indicate progress and any revisions and submitted to NRA for approval and to ACER for information.

Business Rule Development - 2

Criteria for NRA assessment and approval of roadmap

- “where market is insufficiently liquid”

Section 2. Interim step roadmap assessment and approval

1. The NRA shall assess the roadmap’s consequences in respect of its effect on the harmonisation of applicable rules aimed at facilitating market integration as well as on non-discrimination, effective competition and the efficient functioning of the market and shall decide whether it approves the implementation, or continued implementation, of any interim steps.
2. ACER will monitor the assessment and report its opinion to the NRA.
3. With [3] months of receipt of the TSO report the NRA, taking full account of ACER’s opinion, shall approve the roadmap or may require the TSO to modify it, in which case the NRA shall deliver a reasoned opinion substantiating the basis for its assessment.
4. ACER may request the NRA to amend its original approval decision.

Business Rule Development - 3

Balancing platform

- ... may cover more than one balancing zone
- ... some exemptions available

Section 3. Balancing platform

1. As an interim step within its roadmap, TSO may arrange the establishment or the access and use of a balancing platform to satisfy its balancing requirements.
2. [The balancing platform may cover more than one balancing zone]
3. [If a balancing platform is necessary then TSO will consider whether a joint balancing platform with an adjacent balancing zone might be implemented]
4. As an alternative to a balancing platform, TSOs may seek to either
 1. Contract for balancing services, or
 2. In a small market, to include gas in LNG facilities in the balancing zone.

Business Rule Development - 4

Balancing platform

- ... may cover more than one balancing zone
- ... some exemptions available

Section 3 Balancing platforms (continued)

5. In approving or modifying the TSO's roadmap to include the options in 4. above, the NRAs shall determine that as a result of insufficient interconnection between balancing zones, a balancing platform would not increase liquidity in the markets for flexible gas products and balancing services and would not enable the TSO to balance the system more efficiently.

6. Where balancing services are used then the terms and conditions of the contract including prices and contract duration should be published.

7. [Any other provisions that might be necessary by reference to trading platform business rules associated with the establishment and use of the balancing platform]

Business Rule Development - 5

Tolerances

- “where market is insufficiently liquid”

Section 4. Tolerances

1. As an interim step within its roadmap , a TSO may offer end-of-day tolerances to Network Users
2.

- See BAL214-12 – *subject to amendment to reflect the view expressed at SJWS4 that tolerances should reflect a decreasing proportion of demand portfolio size as portfolio size increases.*

Business Rule Development - 6

Price proxy

- “where market is insufficiently liquid”

Section 5. Transitional cash-out price arrangements

1. As an interim step within its roadmap, a TSO may apply:
 1. an administered price or
 2. a price proxy for the calculation of daily imbalance charges.
2. Where a price proxy is applied, it may be based on prices in the wholesale gas markets in other member states
3. Where either an administered price or price proxy is applied, the charge may include a small uplift or a reduction to incentivise NUs to balance their portfolios

... Other options to be included?

Business Rule Development - 7

Release of surplus flexibility

- ... to foster liquidity in the short term balancing market

Section 6 [as per SJWS4 presentation]

As an interim step within its roadmap, a TSO may apply:

- Introduce mechanisms to reduce the size of the options in existing long-term contracts
 - If contractually possible : Reduce the amount in the contract
 - If not contractually possible:
 - TSO keeps contract for the remaining contractual period.
 - Flexibility from these contracts can be used as a “balancing service” when needed.
 - For excess flexibility from these contracts there are 2 options:
 - TSO sell excess flexibility as a service to network users
 - Offer excess flexibility in the short term market

Business Rule Development - 8

**Review of progress
towards Balancing
Target Model**

- ENTSOG to regularly review progress

Review to be defined in the context of wider ENTSOG post-adoption role

Transitional Business Rule Development

- Any other “elements” that need to be covered in transitional arrangements?
- What refinements are necessary in the rules?

...ENTSOG appreciates today's discussion and welcomes further feedback by close of business 9 March

Thank You for Your Attention

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