

Meeting notes

Balancing Network Code (BAL NC):SJWS5
7 March, 10:30-17:30; 8 March 2012, 9:30-16:00

ENTSO conference area, Brussels, Belgium

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13	BTU EVU	Rabe	Alessandro
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16	Cedec/Alliander	Gottmer	Joost
18	CEFIC	Beitke	Martina
19	CRE	Leveille	François
20	CREG	Van Isterdael	Ivo
21	European Commission	Held	Tanja
22	E.ON Energy Trading SE	Steck	Gunnar
23	EDF	Mezlef	Nabil
24	EDF	Gerradin	Benoit
25	Edison	Immovili	Monica

26	Enagas	Monco	Guillermo
27	Enagás	Vega Aguado	José
28	EnBW Trading	Holzer	Andreas
29	Energie-Control Austria	MacDonald	Ross
30	European Commission	rossodivita	aurora
31	Europex (Powernext)	Filippi	Aude
32	eustream	Stevko	Marian
33	ExxonMobil / OGP	Bouwens	Kees
34	Fluxys	De Wolf	Laurent
35	Gas Connect Austria	Matzenauer	Alexander
36	Gas Transport Services	Egberts	Sandrie
37	Gaslink	Duggan	Alan
38	GasTerra B.V.	van Leeuwen	Bert-Jan
39	Gazprom Marketing & Trading	Schmidt	Jan
40	GAZ-SYSTEM S.A.	Brzeczowski	Stanislaw
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43	GIE	de Lahitte	Gaston
44	GN DISTRIBUCION SDG S.A	Tomas	Zoa
45	GRTgaz	Bel	Thomas
46	GRTgaz	Quainon	Julien
47	GRTgaz	Bonnici	Daniel
48	Iberdrola, S.A.	Nieto	Isabel
49	IFIEC	Meuzelaar	Dirk Jan
50	Ifri French Institute of international relations	Parmigiani	Laura
51	National Grid	Viney	Beverley
52	National Grid	Hewitt	Ritchard
53	Naturgas Energia Distribución	Fernández Lejarreta	Iker
54	NetConnect Germany	Sammur	Markus
55	NetConnect Germany	Alaerds	Stephan
56	Ofgem/ ACER	Keyserlingk	Konrad
57	PLINOVODI d.o.o.	Štrukelj	Jošt
58	PwC	Odenthal	Bernd
59	RWE Supply & Trading GmbH	Rose	Stephen
60	RWE Supply & Trading GmbH	Presse	Ralf
61	RWE/Essent	Stolk	Rainier
62	Snam	Gazzola	Marco
63	South Stream Transport AG	Goncalves	Francisco
64	Statkraft Markets GmbH	Klein	Philip

65	Swedish Energymarkets Inspectorate	ter Bruggen	Björn
66	Thyssengas GmbH	Wachholz	Stefan
67	TIGF	Martin	Alexandre
68	VCI	Alexander	Kronimus
69	VIK Germany / IFIEC EUROPE	Höhn	Valentin
70	WIEN ENERGIE Gasnetz GmbH	Jakwerth	Peter

DAY 1 – 7 March 2012

Introduction

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

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

1. Process update

ENTSOG informed stakeholders about the upcoming public consultation, its form and related matters. Key points included:

- Formal public consultation is a key phase for industry stakeholders;
- ENTSOG aspiration to formulate precise consultation questions to yield focused responses;
- Stakeholders were asked not to “rewind, replay and repeat” unsubstantiated arguments from previous consultations or the SJWS consultation phase
- A mid-consultation workshop will be held on May 9th, late enough in the consultation period for participants to come fully prepared to articulate and justify their positions, but sufficient time before consultation close to allow stakeholder’s to make high-quality, focused responses.

2. Balancing Target Model – “a day of regime operation”

ENTSOG presented a worked example of the Balancing Target Model, in the form of a role play including volunteer stakeholders, demonstrating how the following elements of the BAL NC would fit together:

- Information provision;
- Nominations;
- Operational balancing, including short-term standardised products and their merit order;
- Incentives;
- Daily imbalance charge;
- Neutrality.

Stakeholders found it to be quite instructive, generating numerous clarification questions and valuable observations. Stakeholders also raised the issue of challenging initial allocations before they become final. The signal provided during the day should converge to the final allocation. Any changes to the final allocation should be reconciled using a neutral gas price. This would speed-up the end-of-day settlement.

3. Balancing system

Having issued as pre-reading the detailed business rules for this topic, ENTSOG provided an overview of the trade notification concept within and proposed their use (via a "Disposing Trade Notification", an "Acquiring Trade Notification" and matching process).

Stakeholders expressed openness to the concept. There, however, were requests for clarifications and discussions about the lead times for such notifications and how they might relate to the lead time in other schemes, including nominations and use of storage facilities. ENTSOG did not make a formal proposal for the lead time but suggested 2 hours as being consistent with the envisaged re-nomination confirmation timeline. Participants proposed that the network code should be prescriptive as regards notifications and should include that any time to process Trade Notifications should be "as short as possible." It was noted that since the concept of trading at the VTP ('virtual trading point' is by definition not directly linked to physical flows then, other than for reasons associated with TSO's current IT systems, the confirmation process could be very short.

4. Operational balancing

Having issued as pre-reading the detailed business rules for this topic, ENTSOG explained that the TSO balancing actions envisaged under the BAL NC and the four *short-term standardised products* (STSPs) which the TSO could procure and use to manage the system.

Stakeholders' early questions prompted a discussion on whether an entry-exit system could comprise more than one balancing zone and vice versa. ACER clarified the definition established in the Framework Guidelines; namely that there should be a 1:1 correspondence between entry-exit systems and balancing zones.

Returning to the proposed set of four STSPs, an exchange between ENTSOG and stakeholders took place:

- Whether temporal products should be included at all, as they are that which underpin within-day obligations [see section on WDOs below]; The same effect could be achieved with a combination of two balance of day products; stakeholders believe that this set of two balance of day products will always be cheaper, if this is the case then the current merit order will prevent the use of temporal products;
- Whether the TSO should be able to source gas at an adjacent VTP and then import this flexibility (rather than access it via market players) and how this could be reconciled with the CAM NC approach that it is Network Users rather than TSOs that should hold capacity and compete with other market players for gas at non-adjacent hubs;
- The question whether the concept of Originating Participant was limiting Trading Platforms too much; the key principle is that it should be clear on the Trading

Platform which of the two Participants will have the obligations to renominate and as long as this principle was upheld, then it doesn't matter how it is implemented; ENTSOG will explicitly solicit views on this in the consultation on the draft network code.

5. Nominations

ENTSOG presented an overview of its draft business rules (DBRs) in slide format of the nomination scheme to apply at interconnection points across the Member States. The DBRs also propose harmonisation at non-IPs. There are also proposals within for interim steps to allow time (and necessary IT system development) to implement the final nominations scheme; their value, though, was challenged by some stakeholders.

The DBRs are the result of intense work and cooperation between ENTSOG's working groups for balancing (Market business area) and interoperability (Infrastructure Development business area) after ACER advocated the inclusion of some aspects of the nominations scheme in the BAL NC in early-February.

There was general acceptance of the proposed nominations regime. Stakeholders, however, highlighted the need for strict coordination and reconciliation of the timelines proposed in the CAM NC and others to follow to ensure a viable set of network codes.

A key issue was whether scheme would require all balancing zones to establish a 'pure' daily balancing/nominations scheme in the 24-hour gas day or whether it could accommodate hourly nomination schemes – especially where hourly and daily schemes are adjacent to each other at member state borders.

6. Reaction to Day 1

DAY 2 – 8 March 2012

7. Within-day obligations

ENTSOG presented an overview of its DBRs in slide format for elaborating and possibly expanding on the criteria for WDOs that relevant NRAs are to apply when approving or not the introduction of new WDOs or the continuation of existing WDOs.

For most criteria, ENTSOG proposed a clarification and/or elaboration, making more explicit the assessment to be made by NRAs. Stakeholders were asked criterion-by-criterion whether they supported the proposal made by ENTSOG. Considerable debate took place for each as stakeholders expressed views as to how the criteria could be elaborated even more to result in the most objective – and most appropriate – consultation by a TSO on a proposed WDO and assessment by a NRA. Examples of suggestions made are:

- the relevant NRAs should have an explicit requirement to approve or not a proposed or existing WDO – and not rely on post-hoc prohibition;
- a definition of system integrity, such as the idea of maintaining an accepted operational envelope of volume and pressure often used by TSOs;
- the definition of indices and target values, which would be comparable across member states, to indicate when a system’s integrity was at risk;
- definitions for liquidity and for when flexible gas could be considered available in a given balancing zone;
- the definition of indices and target values, which would be comparable across member states, to indicate when a system was not liquid or was lacking flexible gas and thus required the use of procuring gas in adjacent markets;
- that the criterion of information sufficiency for a WDO be elaborated to require that information provision is sufficiently-early, -accurate and/or binding to enable network users to comply with the obligation;
- Charges on WDO shall be aimed at recovering TSO’s cost for managing within-day positions of the network on the basis of ‘the causer pays’; this should be linked to prices in the within-day market, charging option prices is not the intention.
- In a market based balancing regime flexibility should be priced
- that the criterion of information sufficiency for a WDO be elaborated to require that information provision is sufficiently-early, -accurate and/or binding to enable network users to comply with the obligation;

ENTSOG also proposed that a cost-minimisation criterion be included in the BAL NC: that a WDOs and its settlement for affected network users shall minimise the cost of ensuring system integrity, meaning that the NRA shall assess whether the buying and selling of gas from the accounts of network users to comply with the obligation has been minimised. Stakeholders welcomed this proposal.

ACER thanked ENTSOG for its treatment of this topic, observing that “good progress” has been made. On most issues, however, ACER would not react immediately to ENTSOG’s proposals and to give feedback as stakeholders were. ACER did, though, suggest that due respect to the 24-hour gas day be given when assessing WDOs. They also accepted that two or more NRAs may have to cooperate to assess the impact of a WDO on the network users across member state borders.

8. Information provision

Having issued as pre-reading the DBRs for this topic, ENTSOG provided an overview of the key elements of the input aspects of the information flows required for a functioning balancing regime. In the absence of evidence to support stakeholders’ calls for near real-time information provision, the DBRs propose only the minimum, i.e., two per day, information provision requirements.

Issues of concerns raised by stakeholders included:

- The impact of OBAs on information requirements;
- Will a cost-benefit analysis be sufficient to ensure the increased and/or more-accurate provision of information?
- The ownership of the NDM forecasting methodology: TSO vs. DSO;

9. Transitional “roadmaps” of interim measures

ENTSOG presented basic business rules on the use of interim measures in the transition period, including references to the business rules presented earlier on specific measures such as end-of-day tolerances and the release of surplus flexibility.

ENTSOG pointed to the fact that the sole criterion for justifying the use of interim measures was “liquidity,” a loosely defined term in the FGs and one lacking objective measures. ENTSOG made an open call for input for parameters and targets to define liquidity.

ENTSOG reminded stakeholders of the earlier proposal for interim steps on nominations. It also highlighted the importance of transitional balancing platforms or trading platforms, which could possibly be shared across multiple balancing zones. Referring to this later point, ACER reminded all of the section in the FGs on cross-border cooperation, suggesting that if platforms were shared in the transition there should be consideration of balancing zone coupling and merging in the move to the BTM.

On the issue of interim measures for the daily imbalance charge, ENTSOG suggested that one or more alternatives to using price proxies and administered prices could/should be developed.

10. Conclusions

No summary of key observations or conclusions from the day were made.

Stakeholders were thanked for their regular attendance and active participation across the SJWSs. Those who have been observing the SJWSs via webcasting were also thanked for their faithful engagement.

ACER congratulated ENTSOG on running an expert, participative and transparent SJWS consultation process which truly advanced the policy debate.

11. Next steps

- 9 March: feedback to ENTSOG on ‘strawman’ business rules on transition/interim measures
- Week of 12 March: Business rules for “Group 2” topic chapters to be uploaded on ENTSOG website
- 18 April: BAL NC SJWS briefing for Eastern European stakeholders, Vienna (TBC)
- 13 April: Launch of (written) public consultation on initial draft of BAL NC
- 9 May: mid-consultation workshop, Brussels.