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Public Consultation: Guidelines for Good Practice for Gas Balancing (GGPGB)  
E06-GFG-17-04

By Email: [GGPGB@ergeg.org](mailto:GGPGB@ergeg.org)

Dear Ladies and Gentlemen,

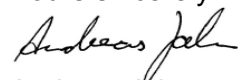
The federal association of new energy suppliers (bne - Bundesverband neuer Energieanbieter e.V.) gratefully accepts the invitation of ERGEG to respond to the consultation paper on detailed guidelines on gas balancing. The bne is presenting the energy market competitors, which do not have their own grid. Thus, the main aim of the association is to implement efficient and non discriminatory rules in the energy markets.

One of the most important requirements to install market based rules is to reduce the costs of balancing energy to a minimum. By creating as big balancing zones as possible such costs can be cut down. Only maximised liquidity in the balancing zones may limit the balancing energy and their costs. If no market rules can be installed in some activity fields the monopolists are obliged for full transparency in this fields. Only transparency may create a basis for competition. Net operators are obliged to cooperate as close as possible in order to achieve this aim.

We would be happy if you could take into consideration our comments to the GGPGB witch you can find in the attached synopses.

Please do not hesitate to contact us for any further questions.

Yours sincerely



Andreas Jahn

## Appendix: Synopses

Actual text of the guidelines	Comments	Proposal for re-phrasing
<b>1. Required characteristics of a balancing regime</b>		
<p>1.1 As provided for in Article 25.2.b of the Directive 2003/55/EC of the 26 June 2003, “the regulatory authorities shall be responsible for fixing or approving prior to their entry into force, at least the methodologies used to calculate or establish the terms and conditions for ... the provision of balancing services”.</p>	<p>Emphasis needs to be put on “prior to their entry into force”. BNE believes that the ex-ante approval of rules, methodologies and tariffs or tariff structures are essential to ensure non-discriminatory access to balancing services. This understanding shall dominate the guidelines as the design of balancing zones can carry huge impediments for shippers. Guidelines should make clear, that even the design of balancing zones refer to methodologies. BNE believes in particular that</p> <ul style="list-style-type: none"> <li>- contractual arrangements for cooperation among network operators, in particular where states have more than one network operator and/or where networks overlap each other.</li> <li>- the size of balancing zones</li> </ul>	

	(in terms of exit capacity) - the treatment of integrated storage refer to the “methodologies” lines out in the directive.	
1.2 Balancing rules shall be fair, non-discriminatory and transparent and shall be based on objective market based criteria. Balancing rules shall reflect genuine system and market needs taking into account the resources available to the TSO and to the network user.		
1.3 The development of balancing rules should be subject to appropriate consultation (unless the balancing rules are already specified in national legislation where this requirement would not be relevant) with market participants and decisions should be supported by objective criteria and analysis.	Balancing rules specified in national legislation are not necessarily representing technical facilitation. In particular they might have been developed in a bundled, potentially discriminating environment. They can be a huge burden to shippers and must be discussed in the light of unbundled network operations.	1.3 The development of balancing rules should be subject to appropriate consultation <u>on EU level (because on national level further consultation are necessary)</u> (unless <u>these</u> balancing rules are already specified in national legislation where this requirement would not be relevant) with market participants and decisions should be supported by objective criteria and analysis.
1.4 Where balancing rules (including rules relating to imbalance charges) are implemented by the TSO they should be equally applied to its own commercial operations and related undertakings, where part of a vertically integrated company, as to third parties.	It should be made clear that this relates to the methodologies as well as to the location of balancing. There must be one virtual area where balancing is being performed in order to maximise the overall benefit for all shippers.	
1.5 The balancing rules should be designed to minimise the residual physical balancing role of the TSO subject to the safe and economic		

operation of the network and other relevant requirements specified in section 3 hereunder.		
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– **Balancing period**

<p>1.6 The balancing system can be based on balancing periods characterised by a settlement procedure at the end of the balancing period. The choice of an appropriate balancing period needs to be based on a balanced assessment against a number of objective criteria. These should include:</p> <ul style="list-style-type: none"> <li>- The operational capabilities of the transportation system to balance the system;</li> <li>- The flexibility and balancing tools that are elaborated by the TSO and offered to market participants;</li> <li>- The fact that consumers have on the average a daily offtake profile;</li> <li>- The interaction of balancing period with effective commercial incentives to balance, in particular interactions of shorter balancing periods in electricity markets with potentially longer periods in gas;</li> <li>- The interaction with balancing periods in connected gas systems to ensure that no undue barriers to cross border trade are created;</li> <li>- Availability and accuracy of the information over the relevant period that is made available to network users</li> </ul>		
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<p>concerning their imbalance position allowing them to take timely balancing actions;</p> <ul style="list-style-type: none"> <li>- The costs imposed to TSOs and network users by particular balancing regimes, for example the IT costs of providing more regular information flows over shorter balancing periods and the transaction costs incurred by network users from potentially taking more frequent balancing actions; and</li> <li>- Nomination and re-nomination procedures complementary to the frequency of balance.</li> </ul>		
<p>1.7 Where a balancing period is used, daily is preferred (unless a different period is specified in national law) and unless there are technical/operational reasons that mean that hourly balancing is necessary to ensure that the system can be balanced and/or for safety and security reasons. Whatever arrangements are put in place they should not create any undue barriers to entry - particularly for new (and smaller) market entrants.</p>	<p>As mentioned before, national law might not necessarily consider the overall technical feasibilities of balancing.</p> <p>The need for hourly balancing needs to be approved by the relevant authority after public hearing/consultation. Also, if hourly balancing is being implemented, it should have impact on tariffs.</p> <p>The guidelines could also suggest to implement sub-day periods for balancing. That could create a huge potential for European harmonisation.</p>	<p>1.7 Where a balancing period is used, daily is preferred (<del>unless a different period is specified in national law</del>) and unless there are technical/operational reasons that mean that hourly balancing is necessary to ensure that the system can be balanced and/or for safety and security reasons. Whatever arrangements are put in place they should not create any undue barriers to entry - particularly for new (and smaller) market entrants.</p>
<p>1.8 As an alternative to balancing systems based on a balancing period, a balancing system can require that the cumulated</p>	<p>BNE welcomes the proposal to combine different approaches. However it must be made sure, that</p>	

<p>imbalance must be kept by the network user within specified tolerance levels, in which case no settlement procedure is needed. A combination of both approaches is also possible.</p>	<p>the flexibility made available to shippers represents the overall potential of the grid. The network operator should have a genuine interest to market as much flexibility as possible by offering additional balancing.</p>	
<p>1.9 It is important that network users are not exposed to undue risks that they cannot manage effectively and/or without incurring inefficient costs that could create barriers to entry to the market. Therefore market participants should have access to appropriate information, adequate re-nomination procedures and flexibility tools/services so that they can manage their imbalance positions (and therefore risk) efficiently, taking into account the relevant characteristics of the balancing system, in particular the balancing period and/or the width of the tolerance margins.</p>	<p>The guidelines should outline the essential elements of “appropriate” information. BNE believes that a continuous publication of linepack is indispensable for effective trading and the development of a day-ahead, within-day and ex-post trading.</p>	

**– Imbalance charges**

<p>1.10 The tariffs for tolerance services or imbalance charges include all charges due by the network user in the cases where his imbalance remains within the specified tolerance levels. Imbalance charges shall be cost reflective to the extent possible, whilst providing appropriate incentives on network users to balance their input and offtake of gas. They shall not hamper the entry of new market entrants.</p>	<p>Imbalance charges must be generated by market mechanism and public auctions for the provision of balancing capacity. In order to reflect cost-based imbalance charges, the grid area where balancing is being offered must be as large as possible. In order to be cost reflective</p>	<p>1.10 The tariffs for tolerance services or imbalance charges include all charges due by the network user in the cases where his imbalance remains within the specified tolerance levels. Imbalance charges shall be cost reflective to the extent possible, <a href="#">published on a daily basis, applied</a></p>
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	<p>imbalance charges must be linked to the balancing market. In order to provide a real incentive to balance the portfolio, they have to be as actual as possible and must not reflect historic cost of procurement (such as historic average import price). This puts the emphasis on the development of a traded market as an objective for member states that would provide effectively generated day prices.</p>	<p><a href="#">ex-post one day</a> whilst providing appropriate incentives on network users to balance their input and offtake of gas. They shall not hamper the entry of new market entrants. <a href="#">Moreover they must reflect that large incumbents have portfolios that generally have a low level of imbalance.</a></p>
<p>1.11 They shall be fair and non-discriminatory and based on objective criteria. They shall avoid cross-subsidisation between network users and shall not hamper the entry of new market entrants.</p>		
<p>1.12 Any calculation methodology for imbalance charges as well as final tariffs shall be made public by either the relevant authority or the TSO as appropriate.</p>	<p>It is essential to make public the calculation methodology only after a consultation process and only after the relevant authority has approved the methodology as being adequate.</p>	<p>1.12 Any calculation methodology for imbalance charges as well as final tariffs shall be made public by either the relevant authority or the TSO as appropriate <a href="#">only after the relevant authority has approved the calculation methodology.</a></p>
<p>1.13 There should also be accurate targeting of system balancing and operation costs to those participants that caused them to be incurred. Any costs that cannot be targeted should be allocated back to network users in a non-discriminatory manner.</p>		
<p>1.14 Where information flows are a problem TSOs shall use provisional allocations in the</p>		

calculation of imbalance charges to reduce the risk for network users.		
1.15 The time period within which charges are confirmed and the method for calculating provisional allocations should be approved where appropriate by the relevant regulatory authority after proper consultation with the TSO and network users should there be any subsequent changes.	The allocation of imbalances and the publication of imbalance charges must be almost in real time. There must not be a delay of days or weeks.	

**– Penalty Charges**

1.16 TSOs may impose penalty charges on network users whose imbalance between input and offtake from the transmission system exceeds the specified tolerance levels subject to these charges being in accordance with the terms of 1.1.		
1.17 Penalty charges which exceed the actual balancing costs incurred insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent shall be taken into account when calculating tariffs in a way that does not reduce the TSOs interest in balancing and shall be approved by the relevant regulatory authority.	Penalty charges must be based on market mechanisms.	

**– Trading and pooling of imbalance positions**

1.18 In the absence of a well functioning/liquid within day market allowing market participants to manage their imbalance positions efficiently the TSO could have systems in place to facilitate the	A new entrant faces huge barriers to entry and be in an inferior position to the incumbent who trades a huge portfolio, if there is no possibility to	1.18 In the absence of a well functioning/liquid within day market allowing market participants to manage their imbalance positions
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pooling and trading of imbalance positions.	pool imbalances among different shippers. Pooling systems must be compulsory!	efficiently the TSO <del>could</del> <b>must</b> have systems in place to facilitate the pooling and trading of imbalance positions.
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**– Tolerance Levels and Tolerance Services**

1.19 Where provided, tolerance levels and services should be designed in a way that reflects the actual technical capabilities of the transmission system.		
1.20 In the case of non-market based balancing systems, tolerance levels shall be designed in a way that either reflects seasonality or results in a tolerance level higher than that resulting from seasonality, and that reflects the actual technical capabilities of the transmission system. Tolerance levels shall reflect genuine system and market needs taking into account the resources available to the TSO and the network user.	It needs to made clear, that storage, in particular cavern capacity, provides daily and weekly balancing rather than being storage in the traditional way.	
1.21 In respect of tolerance services particular account should be taken of the extent to which tolerances may be utilised by network users to offer “balancing gas” or cause balancing costs to be incurred by the TSO that are subsequently socialised.		

**– Market information and transparency of balancing arrangements**

1.22 Each TSO should implement user-friendly systems to make public, as a minimum, the information relating to the areas specified in	For the aggregate imbalance, TSOs need to publish real-time data on linepack that can be read and	
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<p>Annex 2 in a timely manner in national language and in English on the internet. The level of information published shall be set out by each TSO, based on the balancing regime in place and approved by the relevant regulatory authority in consultation with network users. Information shall be disclosed in a meaningful, quantitatively clear and easily accessible way and on a non-discriminatory basis taking into account Article 6 and Article 9.1 c) of the Gas Regulation<sup>4</sup>.</p>	<p>processed easily with traditional software in order to link into IT and trading/supervision software.</p>	
<p>1.23 Each TSO shall also make available confidentially to each user its balancing status and other information relating to the areas specified in Annex 2.</p>		
<p>1.24 Non-confidential information must be provided promptly and on the same time scale to all users on non-discriminatory bases. Network users may request the TSO not to publish information about the aggregate use of balancing services if such publication would harm the commercial interest of the user(s). In cases of non-publication, the relevant National Regulatory Authority (NRA) will, when requested by relevant parties, review the decision not to publish. In doing so, it will balance the commercial sensitivity of information against the public interest for transparency. If it considers that the reason for non-publication are not proportionate, are unfair, or discriminatory, the relevant national regulatory authority can require that the TSO</p>	<p><u>Individual commercial interests of network users can not justify to harm the right of transparency for remaining shippers. Any reason for non-publication is not proportionate, is unfair, and discriminatory. The TSO can not represent the interest of particular shippers.</u></p>	<p>1.24 Non-confidential information must be provided promptly and on the same time scale to all users on non-discriminatory bases. <del>Network users may request the TSO not to publish information about the aggregate use of balancing services if such publication would harm the commercial interest of the user(s). In cases of non-publication, the relevant National Regulatory Authority (NRA) will, when requested by relevant parties, review the decision not to publish. In doing so, it will balance the commercial sensitivity of information against the public interest for transparency. If it considers that</del></p>

<p>publishes the information. In any respect, information should always be published by the TSO when three or more users participate in the balancing mechanism in the relevant period. The TSO shall notify the relevant national regulatory authority, without any unreasonable delay, where it has not published specific data (e.g. for reasons of costs, to avoid any potential market abuse or to avoid significant harm to their commercial interests). The relevant national regulatory authority can require further details from the TSO, including substantiated reasons, for non-publication. If the reasons for non-publication are not proportionate, are unfair, or discriminatory, the relevant national regulatory authority can require that the TSO publishes the information.</p>		<p><del>the reason for non-publication are not proportionate, are unfair, or discriminatory, the relevant national regulatory authority can require that the TSO publishes the information.</del> In any respect, information should always be published by the TSO <del>when three or more users participate in the balancing mechanism in the relevant period.</del> The TSO shall notify the relevant national regulatory authority, without any unreasonable delay, where it has not published specific data (e.g. for reasons of costs, to avoid any potential market abuse or to avoid significant harm to their commercial interests). The relevant national regulatory authority can <del>require-impose penalties further details from</del> <u>on</u> the TSO, <del>including substantiated reasons,</del> for non-publication. <del>If the reasons for non-publication are not proportionate, are unfair, or discriminatory, the relevant national regulatory authority can require that the TSO publishes the information.</del></p>
<p>1.25 In addition where they exist, charges for the provision of such information shall be approved by the relevant national regulatory authority and made public by the TSO.</p>		