

EUROGAS COMMENTS ON THE ERGEG REPORT ON GAS BALANCING

- a) Eurogas welcomes the consultation by ERGEG on this important area for network users because the way balancing regimes work is very important to a well functioning market. We are pleased to see that a large number of the issues raised by users as a matter of concern are reflected in this work and look forward to the future development of this area to a common understanding and agreement between TSOs, System Users and the Regulators.
- b) Our specific comments are as follows:
- 2a - Whilst gas balancing is a simple matching of inputs and outputs (para 1) it must be understood that gas flows take time to travel between the point of delivery and redelivery; it should be clear that it is not the gas input by a System User that will necessarily be offtaken by its customers; and that networks are designed to cope with the fluctuations in flow patterns caused by the physical nature of gas flows and the changes made by end consumers.
 - 2a - The market has been evolving since before the second Directive, it is the creation of effective competition between users and the consequential unbundling which has driven market development.
 - 2a - Sources of flexibility - we need to understand ERGEG thinking as to the difference between variability in flows of gas from a source (known as "swing") which will include production, LNG imports, interconnector imports etc. and the use of storage (whether LNG, salt cavity or depleted field) to provide both seasonal supply support and/or within day support, as there seems to be some conflicting comments about these factors. In particular it should be noted that all sources of flexibility should be capable of being available to both TSOs and System Users (see Fig 2).
 - 2b - Balancing Zones - it is preferable to have a small number of balancing zones. For reasons of transport efficiency and to avoid cross-subsidies.
 - 2b - Access to Sources - as stated above TSOs and System Users need to have the same access to all sources of flexibility. It should be noted that if a regime keeps certain types of flexibility for TSO only use it is likely to prevent the preferred solution of TSOs having only a residual role in balancing the networks.
 - 2b - The balancing period - this can be driven as much by regulatory dogma as the operational characteristics of the network.
 - 2c - It should be noted that not only does the extent of market liberalization influence the commercial structure - but the opposite is also true.
 - 2c - again there needs to be clarification of the sources of supply when debating balancing mechanisms.
 - 3 - Fig 4 - item 3 - Shippers should be held liable for THEIR actions. Therefore costs should be targeted. However, costs should only be passed on where balancing tools are available to the market, and the costs incurred by the TSO have been economically and efficiently incurred.

- 3 - Fig 4 - item 6 - the incentives on TSOs need to be sufficient to ensure that they act appropriately.
- 3 - Fig 4 - item 8 – Linepack should be available to shippers on a non-discriminatory basis or should be part of the TSO’s flexibility service.
- 3 - Q1 - Cash-out Prices - whilst we support the view expressed in the paper, it must be recognized that information must be provided in a timely fashion (i.e. to allow users the opportunity to respond to imbalance situations and cash-out prices if a regime is to be acceptable).
- 3 – Q2 – Small imbalances are most of the time mutualized, and the cost incurred for the TSOs should be low. On the other hand, the costs incurred by bigger imbalances are higher. As a consequence, there should be more incentives to avoid such bigger imbalances. Eurogas accepts that because of different network configurations, different balancing regimes will be in place for some time to come. Irrespective of the specific balancing regime, it is important to users that the tools and flexibility services are available to enable users to meet the regimes’ requirements.
- 3 - Q4 - For gas balancing regimes to be effective there must be valid and accurate information provided to all users simultaneously within the balancing period by the TSO on a common platform to ensure non-discrimination. TSOs must provide sufficient and timely information in order to enable shippers to manage the balancing. For example, in case of hourly balancing, a lot of data has to be provided on an hourly basis. If the database for the invoicing is modified retroactively, this modification should not lead to retroactive balancing penalties because the exact information was not available on time to manage the balancing efficiently.
- 3 - Q5 – See under 4 Item 8.
- 3 – Q6 – Possibilities for improved harmonizing between neighbouring balancing regimes should be investigated. Incompatibilities between neighbouring regimes (e.g. between daily and hourly) can impose extra costs on users which should be avoided.
- 3 – Q7 - The development of OBAs should be sufficient, and should be encouraged as a priority aim.
- 3 – Q8 – It depends on specific system; transit and transport serve different purposes and different rules can be accepted.
- 3 – Q9 -
- 4 - Suggested Changes to Principles - We welcome and support all the suggested changes to the Principles put forward by ERGEG. Our only area for consideration relates to 4c where we would wish to further understand the concept of pooling of imbalance positions.