
Note

Response tot the ERGEG Public Consultation: Gas Balancing Rules on European Gas Transmission Networks Draft Pilot Framework Guideline

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Company:

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Response to the questions for stakeholders:

1. Problem identification, scope, definitions, purpose, policy objectives and compliance

Question 1 Do you agree that the problems identified in the problem identification chapter are the main ones? Are there additional problems that should be addressed with the gas balancing pilot framework guideline?

Question 2 Do you agree with the scope and objectives on this pilot framework guideline? Are there policy issues that should, but are not currently addressed by the draft document?

Question 3 In your view, should the European network code for gas balancing lead to an amendment of national balancing rules? If so, how detailed should the European target model should be?

Question 4 Do you agree with the approach of defining a target model for the network code and allowing interim steps subject to NRA approval?

Question 6 Should the pilot framework guideline be more specific regarding the purpose and the policy objectives for network codes, in particular areas including nomination procedures?

Question 7 With reference to section 3, do you have comments on how Article 21 of the Gas Regulation 715/2009 should be reflected in the gas balancing network?

SPE agrees with the scope and objectives of the draft pilot Framework Guideline. SPE considers that most of the balancing rules, that will be nationally applied, must remain defined

by Member States and national regulators as there are too many differences in the structure and the state of the networks, the number of infrastructures able to provide flexibility and the needs of network users within each Member State. These differences will have a direct influence on the ability to create a liquid gas balancing market. For this reason, SPE suggests that:

- The Network Code should be clear on the principle but not too detailed. Article 21 of the Gas Regulation 715/2009 should be reflected, on the one hand, with the clarification of the main principles of the balancing model (TSOs and network users roles and responsibilities, TSO obligations on information provision, imbalance charges, ...). On the other hand, according to the subsidiary principle, the Network Code should leave explicitly enough space for a dialogue between the NRAs and the market players regarding the implementation (list of mandatory information, nature of the incentives for market participants to keep their portfolios in balance, imbalance charges mechanism, etc...);
- Interim steps should be allowed as long as they are steps that progress toward the target model. These interim steps will have to be defined with national market players and approved by national regulators;
- The target model and the interim steps would need more than 12 months to be implemented after the publication of the Network Code. Any implementation of new rules concerning the gas balancing regime will at least require a consultation of national market players, an adaptation of the operational system and even, in some circumstances, new investments in the national gas infrastructures. These investments could be, in some countries, a prerequisite for the TSO to be able to provide the balancing services required by a market-based model.

SPE is not expecting the Framework Guideline to address other problems than those in the proposed draft. Thus, SPE is not in favour of including rules related to the nomination procedures in the Framework Guideline

2. The roles of network users and TSOs

Question 8 Is it necessary to have a harmonised approach to the network user and TSO roles regarding gas balancing?

Question 9 What are your views on the proposals of the target model to be reducing the need of TSOs to undertake balancing activities?

Question 10 Is it appropriate for the target model to impose within day constraints on network users? If so, should such constraints be imposed on all network users or only on certain groups of network users? If within-day constraints should only be imposed on certain groups users, which ones are these? How could this be justified?

Question 11 Is balancing against a pre-determined off-take profile a useful interim step?

Question 12 Should TSOs have the option to sell flexibility provided by the gas transmission pipelines system (linepack) subject to the NRAs' approval? If so, should this be mandatory?

Question 13 Should the target model enable TSOs to provide tolerances to market participants for free or should this be an interim step?

Harmonising the balancing regimes of the market zones across Europe should only be targeted if it is a cost effective solution. Some systems have sufficient storage, linepack and other flexible supplies to support a daily balancing regime whereas, other networks don't. If the investments

(i.e. network upgrades / reinforcements) required for a daily balancing regime cannot be made in a cost effective manner, then an intra-day balancing regime may be more appropriate. Investments should be analyzed on a European level. It should be taken into consideration that a TSO which is able to provide flexibility at a lower cost, could provide a part of this flexibility to a neighbouring TSO.

TSOs should be in a position to deliver the balancing services required by a market-based model, but in some gas balancing zones there can be insufficient trading liquidity to be able to provide those in a daily and/or an intra-day balancing regime. This constraint should be considered when interim steps are determined.

According to SPE, the targeted market-based model rules should require that TSOs make all the available flexibility sources.

SPE agrees with the fact that, in the target model, market participants should balance their portfolio before asking the TSO to take any balancing action, which is compliant with a market-based model.

The balancing mechanism as applied by the Belgian TSO Fluxys should be considered as a reference. The hourly allocation for the next hour is calculated based on online metered gas consumption of large customers directly connected to the transmission network and large customers on distribution networks. The infeed for distribution grids is divided over the shippers based on their portfolio of not hourly measured (SLP) customers.

SPE does not consider that it would be appropriate to impose constraints on certain groups of network users, especially in case of flexibility shortage. Such a regime will be inequitable and discriminatory. This issue raises also the question of how to define such a group of network users: distribution operator(s) and industrial customers vs. gas fired generating units? Intensive vs. low network users? Historical vs. new network users? In a market-based regime, the price signal should be the rule to deal with constraints linked to flexibility shortage. In any case, gas fired generating units should be entitled to have access and to use flexibility as other network users.

SPE considers that TSOs should make all possible flexibility sources (whether storage, linepack, etc.) available to network users but within both the limits of the network security requirements and the contractual commitments. In this context, the TSOs should have the option to sell flexibility provided by the gas transmission pipelines system. The charges for these flexibility services should be market based.

SPE is in favour of a harmonization inspired by the model applied by the Belgian TSO Fluxys for linepack flexibility services to the market:

- Free flexibility dedicated to the shipper and the possibility to subscribe extra flexibility depending of the shippers portfolio size → the target model should therefore provide certain levels for tolerances. The vested flexibility and the right to book extra flexibility should be in proportion to the capacity subscribed at the supply points.
- Residual flexibility available can be sold as an interruptible virtual storage. However, the applied tariffs should be in line with the flexibility provided.

SPE believes that each shipper should be responsible of his own flexibility (tolerance). Since this is not the case in the New Balancing system developed by GTS, in which the flexibility available for shippers depends upon the global market behaviour, SPE does not advocate this model.

3. TSO obligations on information provision

Question 14 Are there any additional information requirements that you believe should be included? In particular, should the pilot framework guideline oblige TSOs to provide information beyond the requirements set out in the revised Article 21 and Chapter 3 of Annex 1 to regulation (EC) No 715/2009 (as recently approved through comitology)? If so, please provide details?

Question 15 What are the benefits and disadvantages of TSOs providing network users with system information?

Question 16 What are the costs of TSOs providing network users with system information? How do these compare against the benefits and/or disadvantages?

SPE agrees with the principle set up by the target model, i.e.:

- Providing network users, free of charge, with information regarding their inputs and off takes from the system and,
- Publication of all the information listed in each balancing zone.

Nevertheless, SPE would like to stress that, in addition to this information, it would also be very useful to publish, by balancing zone, information on the intra-day consumption of the final customers benefiting from remote reading meter or, at least, those connected to the transmission network and information on the balancing market price associated to imbalances. Shippers may also be interested to have information on the quality of the day-ahead allocations. On the other side, it may be helpful for TSOs to have information on the quality of the nominations made by shippers as well as tools to measure the state of the network on an intra-day basis (e.g. tension of the network indicator).

SPE would also like to point out that the provision of intra-day system information by TSOs to network users should be continually scrutinised to avoid/identify the potential abuse of position deriving from the use of this information. In order to avoid it, SPE suggests that intra-day system information should not be published in an aggregated form. However, ex post aggregated information could be useful to estimate the global flexibility needs.

4. Balancing periods

Question 18 Are there relevant additional policy options on balancing periods which have not been considered in this section? Should these be considered going forward ?

Question 19 Is it necessary to harmonise balancing periods ? If so, what are the benefits of a regional or pan-European harmonised balancing period ? If not, why it is not necessary ? Please explain your answer.

Question 20 If you agree with a harmonised balancing period, what do you consider is the appropriate length of the balancing period ?

Question 21 Do you agree with the target model ?

Question 22 What would be the costs of implementing the target model in (an beyond) your Member State or balancing zones (as the case may be) ?

The definition of the balancing period should take into account the increasing number of CCGTs and the existing situations of flexibility shortage. In such a context it is more efficient to have hourly incentives. Indeed SPE believes that an hourly evaluation period shows better the true value of the network constraints and consequently the due investments. In this context, we recommend that a study of the costs and advantages of daily and hourly regimes with respect to

the specificities of the national markets should be conducted before taking any decision on this topic.

Regarding the harmonisation of the balancing period, SPE is of the opinion that harmonisation should be implemented on the basis of the most constraining model in order to avoid useless investments.

5. TSO buying and selling of flexible gas and balancing services

Question 23 Do you agree with our assessment of the policy options?

Question 24 Do you agree with the target model? If so, what do you consider are the benefits and disadvantages of the target model?

Question 25 What are the costs of implementing the target model in your Member State?

Question 26 What interim steps, if any, may be needed in your Member State or balancing zone(s)?

Question 27 Is it appropriate for balancing platforms to be part of the target model subject to NRA approval, even where the markets are sufficiently liquid to enable the TSO procurement on the wholesale markets?

Question 28 Is it appropriate for TSOs to procure balancing services on the wholesale market and/or is appropriate for these to be procured on the balancing platform? Should TSOs be permitted to reserve long-term contracts for flexible gas and/or associated capacity for this purpose?

Question 29 In your view is it possible in your market to reduce TSOs' reliance on long-term products? If so, how may this be best achieved?

SPE agrees with the target of TSOs' procuring on the wholesale market to balance the system. However, the implementation of this target model implies:

- an improvement of the quality and quantity of information provided by TSOs (see above # 3) ;
- a release from the TSOs of the storage capacities currently held in regimes balanced by storage.

SPE does not necessarily think that balancing platforms need to coexist with a liquid wholesale market unless the balancing platform offers specific products that are not offered on the wholesale market.

6. Imbalance charges

Question 30 Do you agree with our assessment of the policy options?

Question 31 Do you agree that methods for calculating imbalance charges should be harmonised? If so please explain what the benefits may be. If not, please explain why not.

Question 32 What are your views of the target model? In particular, please provide your views on:

- whether an imbalance charge should be applied when TSOs do not take balancing actions

- *what the imbalance charge should be based on, if it is applied when the TSO has not taken a balancing action, whether imbalance charges should be dual or single priced*
- *whether imbalance charges should be based on the marginal price*

Question 33 What would be the costs and benefits of implementing your preferred options in your Member State?

Question 34 What are your views on the interim steps in the document?

SPE agrees with the pilot Framework Guideline proposal on imbalance charges and in particular with the fact that shippers should bear the imbalance charges even when TSOs do not take balancing actions provided they are well identified and charged separately from other transmission charges already included in the network tariffs. The issue is then how to calculate the amount of imbalance charges when TSOs do not undertake balancing actions. In such a case, we would recommend a market-based reference such as the wholesale market price at the closing. If imbalance charges recouped by TSOs are in excess of the costs incurred in balancing the system, then this should be passed back to users using a mechanism defined in conjunction with national market players and approved by national regulators.

In general, when a TSO takes an action to balance the network, the marginal price should not be taken as a reference to determine the amount of imbalance charges. Moreover, imbalance charges should be levelled adequately to incentivise market participants to balance their positions but should not be too onerous to prevent bona fide new market participants from entering the market.

7. Cross-border cooperation

Question 35 Are there any other relevant policy options on cross-border cooperation that should have been included in this section?

Question 36 Do you agree with our assessment of the policy options in this section?

Question 37 Are Operational Balancing Accounts (OBAs) useful to deal with steering differences? Should the network code make it mandatory on the TSOs to put in place OBAs?

SPE agrees with the target of implementing and strengthening the cross-border cooperation.