Bilateral meeting between ERGEG and European Commission

17/11/2010 15:00 to 16:30 hours

European Commission premises, Brussels

MINUTES

Participants			
Urike	Abert	UA	ERGEG (BNetzA)
Joachim	Gewehr	JG	European Commission
Konrad	Keyserlingk	KK	ERGEG (Ofgem)
Kristian	Takac	KT	European Commission
Pamela	Taylor	PT	ERGEG (Ofgem)
Dimitri	Wenz	DW	ERGEG (BNetzA)

Purpose of the meeting

PT explained that the purpose of the meeting was to explain to the Commission the main comments arising from the consultation responses and to have some initial views from the Commission on these key issues.

General feedback from ERGEG's consultation

KK set out that respondents generally felt that ERGEG had aimed to address the right issues, identified the right policy options and had assessed these fairly.

Interim steps

KK set out that most respondents wanted ERGEG to look at how the transition towards the target model could be achieved. JG noted that in other framework guidelines (notably the capacity allocation management) the Commission's preference was not to specify interim steps. Rather, different levels of market development could be taken into account through appropriate implementation periods. However, JG recognised that to move to the target model for balancing in one step may not be achievable and that interim steps, such as balancing platforms for the procurement of balancing gas, are important in creating market-based balancing and enhancing liquidity. JG said that where interim steps help achieve the target model better or quicker, their existence would be appropriate. **Meeting participants agreed that ERGEG would review the interim steps in the gas balancing FG.**

Council of European Energy Regulators

TSO Procurement

KK set out respondents' views that both procuring balancing services on a balancing platform and doing so on the wholesale market were good options, but that the former should be an interim step only. PT explained that ERGEG would, therefore, consider reflecting this in the framework guidelines. However, the issue is whether there are circumstances, such as where there is a single provider of gas (including flexibility services) where creating a balancing platform would be inefficient. JG thought that even in cases where there was only a single provider of physical flexibility services the establishment of a balancing platform should be considered as a first step to allow providers of flexibility services to compete with the 'national' incumbent (for example via backhaul transports). Balancing platforms should thus be used to attract competition and should eventually evolve into a wholesale market. The other question is what types of products should be available and whether it is appropriate to allow TSOs to procure some long-term as well as short-term balancing products on the balancing platforms. JG agreed that there may be some need for TSOs to be able to procure long-term products. PT and JG noted that having some compatible balancing products procured by TSOs may facilitate cross-border trade. UA asked how the TSOs' physical needs could be met. PT and JG suggested that physical and temporal products could be made available on the balancing platforms. **ERGEG will consider this discussion when redrafting the balancing FG on balancing platforms.**

Balancing periods

KK set out that there was much support from respondents for a **harmonised daily balancing period**, as set out in ERGEG's pilot FG, and that for this reason this was where ERGEG's discussions were starting from now. JG highlighted that in case ERGEG should opt for a daily balancing period, the definition of the gas day was relevant for this and that, unless this is addressed elsewhere (for example in the CAM FG), this should be addressed in the Balancing FG.

KK set out that many respondents highlighted the need for the TSO to take balancing actions during the day and the argument that these costs may need to be recovered from those that cause them. PT said that whilst some stakeholders supported a daily balancing regime without within-day constraints, this did not receive much support at the public workshop or in consultation responses. PT underlined that ERGEG's commitment to market-based TSO procurement extended to within-day actions. The key issue is who pays for the within day balancing actions. If there are no obligations on shippers to keep their flows within certain limits, then the costs of balancing actions taken by the TSO will need to be spread across all users. If there are obligations on shippers, this will allow the costs to be targeted at those that cause them. This may be efficient in markets where the costs of within-day balancing are significant. JG added that there may also be technical reasons why shippers' behaviour may need to be constrained in certain systems but suggested that within-day restrictions only be implemented to the extent needed. JG said that it was important that such constraints did not adversely affect shippers' ability to trade gas and suggested that criteria for the application and nature of within-day constraints could be addressed in the framework guideline. **ERGEG will discuss this at its next task force meeting.**

KK set out that respondents were divided on whether or not (re)nomination procedures should be harmonised. At this stage, ERGEG **was collecting information on the situation in different Member States in order to form an opinion** on whether or not harmonisation of (re)nomination procedures is needed.

Imbalance charges

KK set out that consultation respondents largely supported the use of the marginal price for the determination of imbalance charges, where the TSO has had to buy additional gas. JG asked whether using the marginal price as imbalance charge would provide sufficient incentives to shippers or whether an uplift would need to be added. PT explained that the issue of the balance between cost reflectivity and incentives to balance was one of the issues that ERGEG would be considering at its next task force meeting. The idea of the marginal price is that it reflects the most expensive unit of gas bought by the TSO and as such is cost reflective but shippers would have an incentive to trade in order to avoid paying the most expensive price for gas. Opinion is more divided on whether imbalance charges should be imposed and if so how they should be calculated, when a shipper is out of balance but no balancing action was taken by the TSO. JG thought that the policy should be for shippers to balance their portfolios and suggested that this was the intention of Art 21(3) of the Gas Regulation. **ERGEG will consider the drafting on imbalance charges in the balancing FGs.**

"Nominated imbalances"

JG asked ERGEG representatives whether, in their view, nominated imbalances (i.e. where the quantity nominated for injection differs from the quantity nominated for offtake) should be specifically disallowed. He explained that this issue could only arise for a subgroup of shippers, for example those not supplying consumers in a given balancing zone. PT and UA thought that this was unlikely to become a problem, as long as shippers were appropriately incentivised through imbalance charges. **However, ERGEG agreed to consult with the other NRAs where such obligations may exist in national markets.**

Cross-border cooperation

PT reported that not much feedback had been received on cross-border cooperation. There were some views expressed that it was too soon and that markets were not sufficiently harmonised to be considering cross-border cooperation. However, if this section was removed, she was concerned that this would be a missed opportunity. ERGEG **will give this section more thought** at the next task force meeting.

ERGEG delegates agreed to share the next draft of the FG document with the Commission prior to the next Task Force meeting (at which the Commission will be represented).