



CHEMICAL INDUSTRIES
ASSOCIATION

23 September 2005

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Gas Balancing: An ERGEG Discussion Paper For Public Consultation

The CIA welcomes the opportunity to respond to the consultation on the principles behind the gas balancing regime. Please find attached our answers to the specific questions.

Question (1): Are there other features that should be reflected in a gas balancing regime to help ensure efficiency and to maintain safety and security of the system?

CIA believes that the principles outlined in the document are sufficient to ensure efficiency and maintain safety and security of the system.

Question (2): Should the incentives to balance become stronger the further away a shipper is from being in balance or are there are other ways of ensuring that shippers have appropriate incentives to minimise their imbalance positions? Should shippers be allowed to trade their imbalance positions on an ex-post basis as a way of improving overall efficiency?

It is important to have incentives to balance, but very penal regimes just result in the extra costs being passed through to consumers and we do not believe that this will result in a more efficient and economic way to operate the gas system. The CIA notes that it is possible to trade ex-post in the UK gas market, but we are not aware that this has a great impact on improving overall efficiency.

Question (3): Does hourly balancing create any barriers to the development of competition?

In the UK we have a balancing period of one gas day. We do not support an hourly balancing regime as we believe that this increases complexity, increases the actions required to be taken by the system operator and shippers, and adds extra complexity and costs. The CIA does not support an hourly balancing regime and believes it creates barriers to the development of competition.

Question (4): What information is required to ensure that gas balancing regimes operate effectively and efficiently and how often should this be provided? What is the best way of ensuring that this information is provided to all parties on a non-discriminatory basis?

It is important that all market participants are able to access data simultaneously, this should include but is not limited to: system demand, linepack, forecast demand, amount of gas delivered from the beach, and amount of gas in storage. This should be through an appropriate and stable website that is resilient and can cope with demand for this data from the whole gas market throughout the day. Not one group of market participants should be able to access information earlier than the rest of the market otherwise this creates asymmetry in access to information.



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Question (5): Should linepack (where technically feasible) be made available to shippers on a nondiscriminatory basis to improve access to flexibility? Are there any other steps that could be taken to improve access to flexibility that would not impinge on the safety and security of the system?

Linepack should be made available to shippers to improve flexibility but caution needs to be exercised in the allocation mechanism when there is insufficient flexibility to meet the Shippers' requirements. We would not promote the allocation of flexibility through complicated auctions.

Question (6): Do differences between (neighbouring) gas balancing regimes distort or the incentives provided to market participants? If so, what degree of consistency would be appropriate to overcome these problems? Would there be any disadvantages from introducing more consistency in features of (neighbouring) gas balancing regimes? How could this consistency be facilitated – for example would legislation be required or could it be achieved through better co-operation between regulators and TSOs in different Member States.

Neighbouring markets do have an impact on gas balancing regimes and CIA believes that the better co-operation between regulators and TSOs in different Member States should be encouraged.

Question (7): Would cross-border (or international) balancing zones help facilitate the development of competition in gas across Europe? What technical, legal and practical issues would need to be overcome if cross-border balancing zones were introduced? What impact could crossborder balancing zones have on the development of hub based trading and regional markets (see for example the recent ERGEG document on regional markets in electricity)?

CIA believes that the creation regional markets may help facilitate development of competition in gas across Europe.

Question (8): Would it be appropriate to increase the level of consistency between balancing rules for transit and transportation systems?

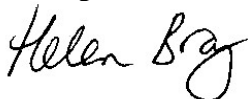
CIA notes that there are differences between transit and transportation rules, however, we do not have any comments to make on this issue at the moment.

Question (9): Would the introduction of Operational Balancing Agreements (OBAs) between transit and transportation systems improve transparency on how the balancing regimes interact? If so, what should be included in the OBAs?

CIA would welcome the improvement of transparency through OBAs, and we would welcome the opportunity to review the content of such an agreement.

If you would like to discuss any of the above issues please do not hesitate to contact myself on +44(0)20 7963 6718.

Kind regards,



Helen Bray