

PLURIGAS RESPONSE TO “GAS BALANCING - ERGEG DISCUSSION PAPER”

We are limiting our response to points we have some comments or suggestions for, we agree for the remaining ones.

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?

A balancing regime may be put in place in each country only taking into consideration the peculiar tools available to each gas system. As a consequence, availability of flexibility tools, like storages, and the costs related determines the necessity to apply more or less stringent and costly rules to manage exposure to unbalances.

When we are trying to identify a progressive process of harmonisation within EU of these rules we have to consider the assessment of tools available in a context where national systems are evolving towards higher competitiveness, i.e. stressing on cost reflectivity where submerged costs arise, and development of markets, like electricity production, driven by pools that can exacerbate hourly and daily balancing needs.

Question (2): Should the incentives to balance become stronger the further away a shipper is from being in balance or are there 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?

A small amount of unbalance, in percentage, has not to be penalized as a great one. A minimum tolerance is still necessary because sometime, trying to minimize the unbalance, some of it remains. We suggest a progressive penalty system where the first gas unbalanced is penalized less than the last one.

Referring to the opportunity of an ex-post trading of the unbalance, we remind that the final result of the cumulative absolute unbalance of all shippers is partially a “compensated” unbalance, i.e. we can say that is not physical, but virtual. Not all the shipper’s unbalances in the relevant period have the same sign, so if one is negative and the main direction is positive, that shipper responsible of the negative unbalance has not caused a damage to the system, but an “involuntary help”. So that shipper can find others for compensating the relative positions.

An ex-post trading doesn’t reduce the impulse to minimizing the unbalance, as no-one knows the others behaviour. But an ex-post trading can stimulate trading itself.

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

The relevant balancing period (hour or day or, eventually, month) has to be defined on coherence with the period for nomination, measurement and particularly the period allowed for reaction by shippers.

It is no useful to arrange an hourly balance system if no hourly measurement is available: in the current system very often we see an hourly balance system based on daily measures, so the hourly unbalance is the daily one divided by 24.

Imposing a real hourly system, with hourly nominations and hourly measures, produces a great impact to those shippers that want to operate on a European basis on more countries, as this means managing a great quantity of data. It can be a barrier to new players, so it has to be introduced always as a second step in the balancing process leaving shippers to make experience.

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?

Informations mostly required are data for inlet and outlet referred to the relevant shipper and to the overall balancing system. Availability of these data is needed immediately at the end of the relevant balancing period for each shipper and during the balancing period (self-updating during it) for the overall system. Availability of timely data allows shippers to put in place strategies to minimize the unbalance and to adjust their forecast.

Other helpful informations are maintenance, extraordinary events, temperature, power plants demand forecast.

Question (5): Should linepack (where technically feasible) be made available to shippers on a non-discriminatory 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?

If a tolerance is provided, the relative linepack is already sold. Linepack is the first technical tool at the disposal of the TSO for balancing. As the cost of managing linepack is relatively low it can be put available only through the tolerance, but the operation has to remain in the hand of the TSO.

In case TSO wants to offer a flexibility higher than that available managing linepack, it can buy storage service to implement it.

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.

We think that an harmonization of the European rules is necessary, so it could be advisable to proceed through two steps: a first step harmonizing main rules between neighbouring countries but leaving specific individual applications (such as relevant period, costs, etc). A second step could be implemented only after a period of observation during which speculative behaviours are monitored; introducing this step all single specifications are to be harmonized, so that no-one may speculate unbalancing one system (with lower costs) to other one's disadvantage.

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

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?

We think that the balancing procedures, as all the other transportation rules, have to be the same for transit and national transportation systems. Only in this way we can prevent from incoherencies, asymmetries and consequently speculations.

In addition to the response to the hereabove questions, we want to express some perplexity about suggested change to "Principle 1 - Balancing responsibilities", as we think that TSO has to maintain the first physical balancing responsibility, and the users must have the economical responsibility covered by the penalties. We are worried of the consequences of unbalancing disruption: TSO have to guarantee safe and reliable network operation, shipper can only pay for what contracted and for the unbalance.

Milan, 26.09.05