

The logo for ACER (Agency for the Cooperation of Energy Regulators) is displayed in the top left corner. It features the acronym 'ACER' in a large, blue, serif font. Below the acronym is a small blue square containing the European Union flag (a circle of twelve gold stars on a blue background). To the right of the flag, the full name 'Agency for the Cooperation of Energy Regulators' is written in a smaller, blue, sans-serif font.

ACER

Agency for the Cooperation
of Energy Regulators



● ACER Draft Framework Guideline for
Gas Balancing

Pamela Taylor, Head of European Strategy, Ofgem
ACER Workshop on Gas Balancing
Ljubljana, 18 May 2011

● Where are we now?

- During the “**transition period**”, ERGEG assumed the role assigned to ACER by the 3rd package and worked on “pilot” Framework Guidelines
- 6 August 2010: EC issued invitation letter to ERGEG to draft pilot FG
- Stakeholder engagement through formal consultation process, Expert Group, public workshop, bilateral meetings, discussions and informal written comments from EC
- 11 March 2011: ERGEG submitted pilot FG to EC
- 11 April 2011: ACER consultation on FG published
- 12 June 2011: consultation closes
- ACER to finalise FG in Autumn

● The vision

Balancing framework guidelines— key to market design
(not just technical rules)



Facilitating a single market

- **Remove barriers to cross-border trade** created by different balancing arrangements
- **Reduce fragmentation of the market** by looking at ways to merge balancing zones
- **Promote the development of regional markets** by encouraging the use of interconnectors (and gas from cross-borders) in balancing



Develop liquid traded market

- **Facilitate new entry** by ensuring balancing arrangements are non-discriminatory;
- **Promote market liquidity at emerging gas hubs**
 - by encouraging shipper trading across timescales;
 - by having market arrangements for TSO procurement of balancing gas



Suitable for all parts of Europe

- **Provides a coherent set of rules**, which
 - lead to a common vision of balancing arrangements;
 - can be implemented in network codes and is enforceable by NRAs;
 - take account of the different degree of market development across Europe (need for interim steps)

● Problem identification

- Lack of access to relevant information, flexible gas and network capacity reduces shippers' ability to balance efficiently
- Fragmentation of balancing zones may create barriers to cross-border trade
- Some imbalance charges do not provide the right incentives to shippers and are potentially discriminatory
- Non-market based methods for TSO procurement of balancing services reduce market liquidity
- All of this results in TSOs doing most of the balancing instead of the market

● Shipper and TSO roles and responsibilities

Problem

- Unbundled TSOs will be increasingly separate from the shippers trading gas. The balancing regime needs to promote shipper trading

ACER's proposal

- Where there is access to liquid intra-day markets, shippers take primary responsibility for balancing during the relevant balancing period and reduce the TSO's role as much as possible.
- Sale of linepack subject to NRA approval.
- **Interim step:** In absence of liquid short term wholesale gas markets, TSOs can provide day-ahead profiles, and through residual balancing be responsible for balancing intra-day. TSOs may require shippers to keep inputs and offtakes in a certain range and may provide tolerances.

● TSO information provision obligations

Problem

- A lack of transparent and timely information availability reduces shippers' ability to balance their portfolio efficiently
- Risks of discrimination may result from lack of transparency

ACER's proposal

- Requirement on DSOs to cooperate with TSOs
- TSOs to provide, free of charge:
 - network users' inputs onto and off-takes from the system at appropriate intervals during the balancing period (at least twice a day and enough to enable compliance with potential within-day obligations)
 - (in the absence of metered data) forecasts of offtake volumes for non-daily metered customers at the day-ahead stage, to be updated at appropriate intervals (at least twice a day unless network users are able to fulfil their balancing obligations with information provided day-ahead, e.g. they are cashed out against day-ahead off-take forecasts).
 - TSOs to provide regular updates of and hourly end-of-day forecasts on the system balance position (as per Chapter 3, Annex 1, Gas Regulation)

● **Balancing periods: Within day obligations**

Problem

- Daily balancing regimes may lead to imbalances during the gas day
- Managing these imbalances incurs a cost
- It may be more efficient to target some of these tasks/ costs at those who cause them

ACER's proposal

- Harmonised daily balancing period in line with CAM Network Code
- TSOs to procure relevant balancing services in a market based manner
- „Within-day obligations“ can be imposed where
 - this is necessary in order to ensure system integrity and to minimise the need for the TSOs to take balancing actions
 - They do not act as undue barriers to entry
 - TSOs may impose on network users a charge for failing to meet the obligations (cost reflective, not undue barriers to entry or cross-border trade)
- NC to rule out some within-day obligations (such as an hourly balancing regime)
- Role for Public consultation, NRAs and ACER

● Nomination procedures

Problem

- Network users need to be able to adjust their own positions and buy or sell flexible gas for balancing purposes during the day

ACER's proposal

- If not covered by other legal obligations,
 - Network code to set out criteria for (re)nomination procedures to be harmonised at both sides of IPs, consistently across Europe
 - Criteria shall minimise response times
 - Network users shall not be required to nominate input volumes which match their output volumes or vice versa

● TSO Procurement of balancing services

Problem

- Non-market based procurement of balancing services in some systems reduces market liquidity and makes it difficult to set cost reflective imbalance charges

ACER's proposal

- TSOs to procure balancing services transparently in short term wholesale gas market.
- Harmonisation of products, TSOs to maximise use of standardised short term products
- **Interim step:** TSOs to procure gas on a balancing platform. Exceptionally, tenders or bilateral contracts can be used. TSOs to release flexible gas where they do not need this.

● Imbalance charges

Problem

- Approaches to imbalance charges differ across Europe and are not always cost reflective. This may be a barrier to cross border trade, discriminatory and provide inefficient signals.

ACER's proposal

- Imbalance charge based on the cost of TSOs' balancing actions (marginal price)
- Imbalance charge based on price on wholesale market where no TSO balancing action has been taken
- **Interim Step:** Imbalance charges based on a cost proxy

● Cross-border cooperation

Problem

- European gas market is currently highly fragmented – how can we ensure efficient cross-border flows?

ACER's proposals

- **TSOs to explore:**
 - Cross-border netting (individual network users to net their imbalances between neighbouring markets through virtual bilateral trades)
 - TSO-led cross border balancing
 - Merge or couple balancing zones where this is technically feasible and economically reasonable
 - TSOs to implement Operational Balancing Accounts (OBAs)

● Implementation

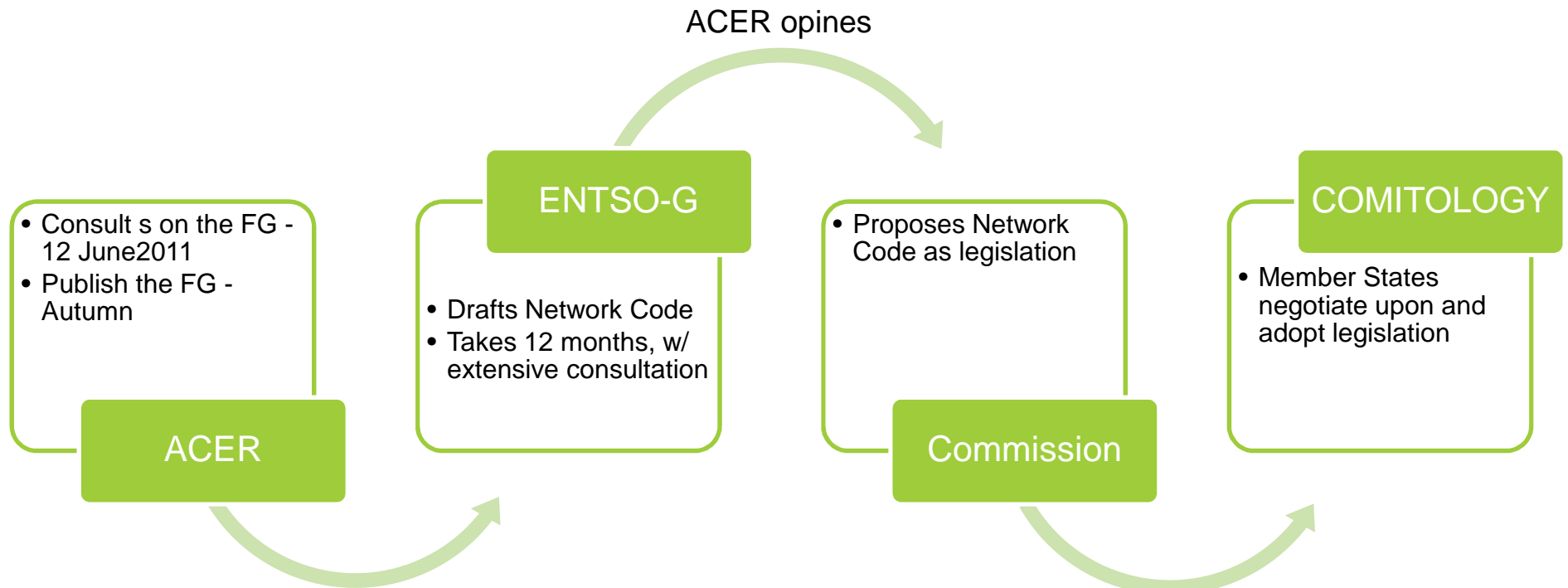
ACER's proposals on compliance

Compliance

- TSOs obliged to comply within 12 months of adoption of network code
- NRAs can allow additional 12 months if TSOs are not implementing interim steps
- Obligation on TSOs to report yearly to ACER and NRAs on progress of and roadmap towards implementation

● The way forward

- ACER consultation closes – **12 June 2011**
- ACER to publish the FG – **Autumn 2011**



● How to participate in ACER Consultation?

- Please be specific and relate your response to ACER's proposal
- Please give reasons for your positions
- Deadline for submissions: 12 June 2011
- Register on ACER website
 - www.acer.europa.eu
 - www.energy-regulator.eu
- Obtain a login
- Submit comments through an on-line consultation form
- Name and affiliation of all participants published on ACER website

Thank you for your attention!

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