

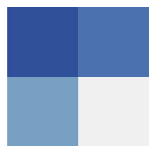


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# **GTE Position Paper on Gas Balancing**

**Jacques Laurelut – GTE Vice President**

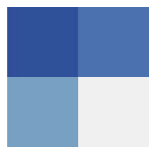
**Madrid Forum X – 15-16 September 2005**



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## Background (1/2)

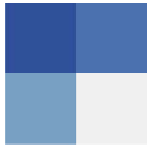
- Gas balancing is a key issue both for the TSOs and the shippers since it impacts notably safety, security of supply and the development of a competitive market
- The GGPII concerning access conditions to the transmission networks, agreed by the Madrid Forum in September 2003 and recently adopted as the Gas Regulation, provide robust rules regarding balancing
- The implementation of the GGPSSO (access to storage facilities) will enhance access to flexibility tools



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## Background (2/2)

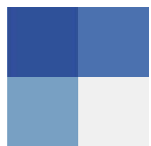
- Even though real progress has been made by the TSOs through the implementation of the GGP II, network users identify areas of concern
- ERGEG issued in July 2005 a discussion paper on balancing for public consultation
- GTE will release a detailed contribution to this discussion and takes the opportunity of this presentation to express its main views and proposals



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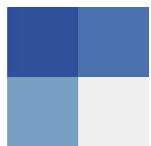
## General principles (1/2)

- GTE welcomes a clear definition of the respective responsibilities as described in the GGPII:
  - **Shipper**: primary responsibility to balance their own inputs and off-takes over the balancing period
  - **TSO**: residual role to maintain physical balance to ensure the efficient and safe operation of the system
- GTE agrees that the balancing rules should not hamper competition, market liquidity and the entry of new participants into the market



## General principles (2/2)

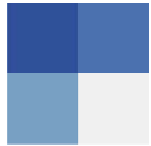
- GTE supports the requirements of the Balancing Rules (BR) as laid down in the EU Gas Regulation
  - **BR** shall be designed in a fair, non-discriminatory and transparent manner and shall be based on objective criteria. BR shall reflect genuine system needs taking into account the resources available to the transmission system operator
- TSOs should have the final responsibility of adopting and administering the BR for the network it operates, according to the agreed balancing principles and under the control of the relevant Authority



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## Differences in neighbouring regimes (1/2)

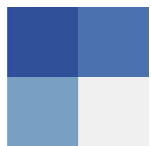
- The balancing rules should consider the physical attributes to ensure system integrity, not be used to form artificial barriers to competition
- GTE acknowledges that differences in neighbouring regimes can be difficult to manage for a new entrant and that there is a need for transparency and compatibility between balancing regimes
- Differing technical, geographical and historical factors might not be conducive to the harmonisation of gas balancing regimes across Europe



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## Differences in neighbouring regimes (2/2)

- GTE is committed to enhance the compatibility, in particular between daily and hourly regimes. For instance GTE is promoting more wider development of Standardised Interconnection Agreement, notably OBA
- GTE suggests to consider practical convergence criteria. « Cross-border balancing zones » would however be very expensive and complex to be implemented



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## Cost neutrality

- GTE agrees that
  - the balancing rules should provide the TSOs with sufficient incentive to minimize the total cost of balancing, while avoiding excessive profit for TSOs
  - penalties or cash-out collected should be re-allocated into the market aiming at cost neutrality

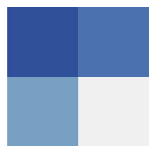




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## Trading of imbalances (1/2)

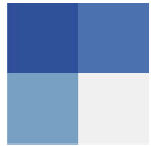
- GTE promotes the possibility for shippers to pool together their imbalances on an “ex-ante” basis by
  - allowing them to trade gas for balancing purpose on an ex-ante basis
  - pooling inputs and off-takes per portfolio, per balancing zone, per contract, per shipper ...



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## Trading of imbalances (2/2)

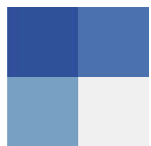
- On the other hand, GTE considers that “ex-post” trading of imbalances between shippers might
  - impede the development of within day markets, notably if implemented too early
  - reduce substantially the incentive for shippers to keep in balance
  - increase the risk of overall imbalance and the cost of balancing actions to be taken by the TSO and therefore, shippers and end-consumers



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## Linepack (1/2)

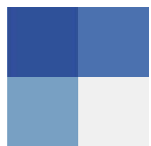
- Linepack is the essential tool for the TSO to
  - offer and manage a balancing period that lasts more than few minutes
  - play its role of residual balancer
- Linepack is a scarce resource. The role of the TSO is to make the best use of it by aggregating the need of the shippers and offering it through features of its system (balancing period, flexibility services, capacity ...)



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## Linepack (2/2)

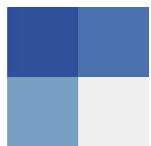
- It is more valuable and less costly for the shippers to get access through these features
- Therefore, GTE considers direct and individual access to linepack would impede an efficient and safe operation of the overall system, while making it more rigid and intricate



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## Conclusion (1/2)

- GTE welcomes the ERGEG consultation and agrees that well designed balancing regimes are essential to a safe, secure, efficient and competitive market
- GTE is looking forward to a constructive public debate with the relevant authorities, network users and all stakeholders. GTE proposes to consider convergence criteria which would address the problems identified by the network users and the regulators



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## Conclusion (2/2)

- Four key issues remain to be fully considered:
  - the trading of imbalances should be ex-ante
  - use of linepack
  - the way to address cost-neutrality
  - the feasibility and cost benefit analysis of 'cross-border balancing zones'