



**Consultation on gas balancing**

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# Gas balancing

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- Gas balancing has a key role to play in development of effective competition
  - ◆ Provides incentives to market players to ensure efficient and safe operation of the network
  - ◆ Ensures adequate supplies made available to consumers
- A poorly designed gas balancing regime can:
  - ◆ Result in higher costs for consumers
  - ◆ Create barriers to entry
  - ◆ Possibly impact on security of supply
- Gas balancing has been a key aspect of the work of ERGEG this year – a consultation paper was published in July (responses by 26 September)

# Purpose of consultation document

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The ERGEG Gas Balancing consultation document:

- Explores issues associated with gas balancing, including linepack, and identifies gas balancing problems; and
- Reviews and suggests some improvements to the existing CEER gas balancing principles – originally published in September 2003.

A final view on changes to the gas balancing principles will be published before the end of 2005. These principles will be used by ERGEG to develop more detailed guidelines for good practice for gas balancing.

## Gas balancing across Member States

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There is diversity across the EU in terms of the detailed characteristics of gas balancing regimes explained by a range of factors:

- the extent of market liberalisation ;
- and the different physical characteristics of the market:
  - Availability of storage (provision of flexibility);
  - Availability of LNG;
  - Availability of linepack within the gas transportation system; and
  - Services from shippers, producers or end customers to vary inputs or offtakes as and when required.

# Possible distortions and problems in gas balancing regimes

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- Process, consultation and transparency
- Developing an efficient balancing regime
- Cash-out prices
- Balancing period
- Information flows
- Access to flexibility
- Tolerance levels
- Interactions between balancing regimes
- Gas balancing and transit pipes

# Some key questions (1)

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1. What key features should be reflected in a gas balancing regime to help ensure efficiency and to maintain safety/security of the system?
2. How to ensure shippers have the right incentives to balance
3. Does hourly balancing create any barriers to development of competition?
4. What information is needed to ensure gas balancing regimes operate effectively and efficiently – how should this information be made available on non-discriminatory basis to market participants?
5. What steps can be taken to improve access to flexibility – is linepack (where technically feasible) one solution?
6. Do differences between (neighbouring) gas balancing regimes distort incentives to market participants – what degree of consistency between regimes is needed and how can this be achieved?

## Some key questions (2)

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7. Would cross-border (or international) balancing zones help facilitate development of competition across Europe – if so, what issues (legal, technical, practical) would need to be resolved?
8. What degree of consistency is required between balancing rules for "transit" and transportation – and how could this be achieved?

## EREGG welcomes

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Feedback on its initial consultation and in particular views on:

- the changes to the high level gas balancing principles
- the key questions identified above
- the scope and content of the proposed guidelines for good practice

We welcome views from this Forum and written responses by 26 September