

Gas Transmission Europe

**Preliminary GTE Comments on
ERGEG Guidelines for Good Practice for Gas
Balancing and the Gas Balancing
Conclusion Paper**

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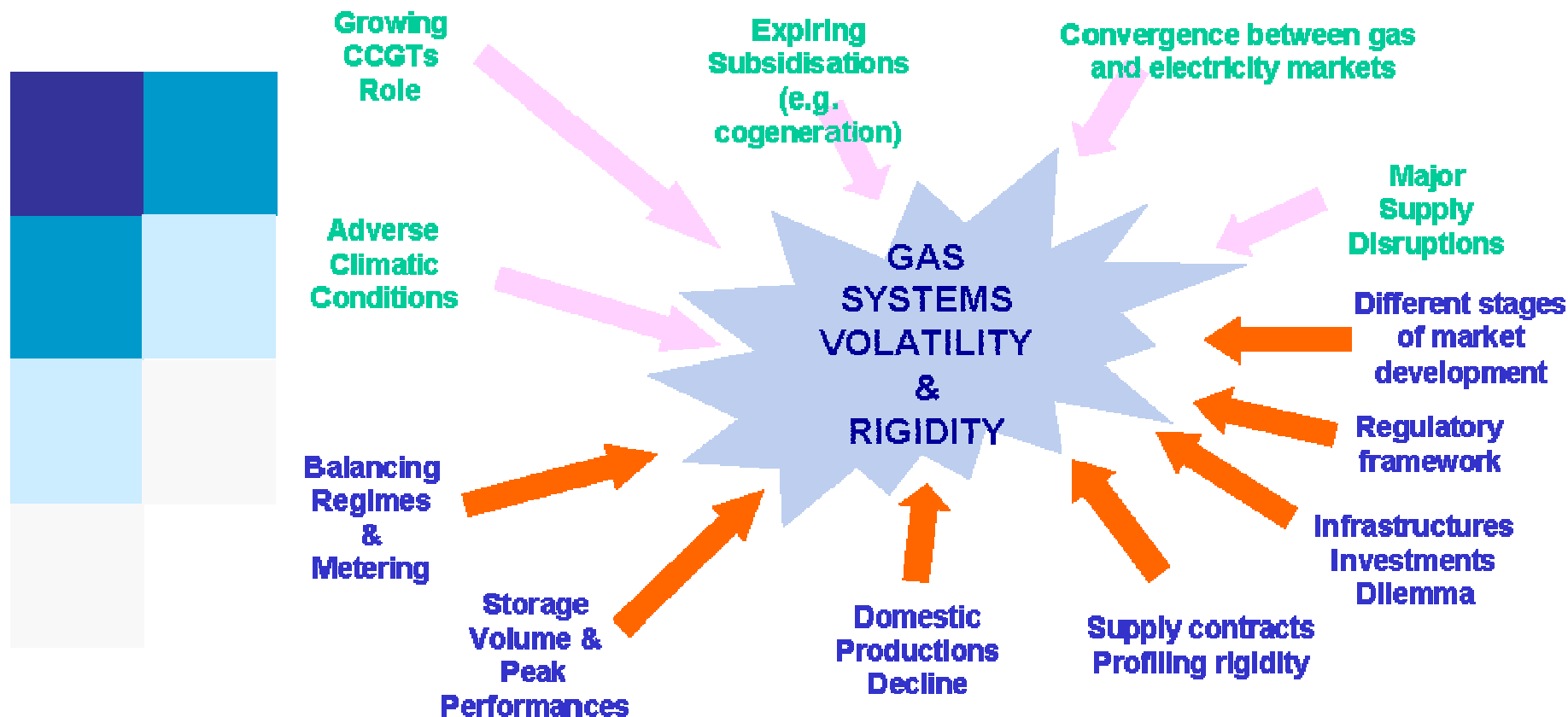
Preliminary Remarks

- GTE acknowledges the importance of providing a set of balancing principles and of Guidelines for Good Practice for Gas Balancing (GGPGB) and believes that balancing issues are crucial to the further development of the internal gas market.
- GTE welcomes the initiative taken by ERGEG to come to these GGPGB and supports the consultation processes.
- GTE continues to believe that the Madrid Process is the appropriate Forum to make voluntary agreements between stakeholders to enhance the development of a fully operational internal market.

Therefore, GTE believes that the GGPGB will be more effective if they are determined through the Madrid Forum Process:

- All stakeholders represented
 - Commitment
 - GTE to bring forward its expertise in the further development of the GGPGB
- GTE contributed to the debate by organising a workshop on Balancing for stakeholders in Brussels on 15 February 2006
 - Representative group of participants, including EU Commission, CEER/ERGEG, EFET, Ifiec, Eurogas, OGP, NRAs

Framework for LT supply / demand of flexibility tools



We observe a growing gas demand volatility and unpredictability:

- increasing demand for flexibility tools
- currently outside the GGPGB scope
- to be addressed in a LT framework for the supply /demand of flexibility

GGPGB – Scope and process

GTE believes GGPGB may be helpful in guiding the TSO in designing its specific balancing rules:

- TSOs are responsible for performing their network operations in a safe, secure, effective and efficient way :
 - Through the definition of operational tools which are of direct use for defining the technical and commercial quality standards
 - Reflecting the genuine system needs
 - Consistent with the actual configuration of the gas grid
 - Taking into account the resources available to the TSOs
 - Consistent with related flexibility resources
- GGPGB give additional requirements in order to facilitate the development of market- based mechanisms for balancing as well as the internal gas market
 - Contributes to harmonisation of balancing rules

GGPGB – convergence of positions

Balancing period

- Daily balancing is generally viewed as the preferred balancing period
- But, the period should take into account system requirements and cross-subsidisation issues
- And hourly constraints as well as scheduling issues might be necessary
- Re-nomination lead times should be in line with EASEE-gas CBP

Agreements for supporting interoperability and cross-border trade

- GTE supports the Roadmap process, and believes this process may further clarify the need and suitability of Interconnection Agreements to manage differences between balancing regimes

GGPGB – convergence of positions

Tolerances, Trading & Pooling of imbalances, Charges

- These balancing tools should be designed consistently for allowing the most efficient use of the gas networks by minimising the costs incurred by TSOs for residual balancing actions
- GTE supports:
 - Market-based balancing mechanisms
 - Ex ante trading and pooling of imbalances
 - TSO balancing charges to be broadly neutral and “targeted”

Incentives for TSO

- Remuneration for efficient residual balancing actions
- But: ensure consistency with the growing variability and unpredictability of gas flows

GGPGB - further investigations -1

Information provision and transparency requirements:

- TSOs can and will publish information they have available
 - But the scope of the minimum requirements seems to be quite wide, and would need to be adapted for each balancing regime
- Other stakeholders (LDCs, shippers/suppliers, upstream, NRA) have an important role in providing information on the balancing status
 - Further investigation is required with respect to the liability for the accuracy and/ or confidentiality of data where this is collected or provided by third parties
 - For certain cases, further investigation is needed with respect to the funding of the provision of information.
- Metering and Meter Reading is crucial
 - Consistency between balancing rules and information availability
 - Assets ownership and investments required for hourly tele-metering

GGPGB - further investigations -2

TSO role in designing and managing Business Rules

- TSO leading the process, including consultation with stakeholders
- Good cooperation between TSO and NRA

Ex post Trading:

- GTE considers that ex-post pooling may not be compatible with market-based balancing mechanisms and may hamper gas trade
- Ex-post trading/pooling of imbalances may be applicable in certain circumstances (where appropriate) and may be subject to restrictions to ensure the integrity of the system (e.g. limited to specific balancing zones)

Conclusions

GTE notes the increasing crucial role played by the balancing activities requiring a clear set of roles, responsibilities and rules

- Stakeholders convergence on these issues is a primary objective
- GTE supports the development of the GGPGB and welcomes the necessary fine tuning of the consultation on all the relevant issues considered in the GGPGB in order to reach an agreement in the framework of the Madrid Process
- Growing balancing complexity and costs:
 - TSOs have to be measured against targets and rewarded both for service delivery AND additional costs incurred because the high level of performance requested.
 - Shippers should be incentivised to be balanced on an individual basis.
 - Charges should be distributed under the principle of neutrality base for TSOs.