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Balancing Rules Introduction / Background

- Legal Requirements
- Theoretical Background
- Practical Background

Relevant aim of the Directive:

Non-discriminatory and cost-reflective balancing mechanisms are necessary in order to ensure effective market access for all market players, including new entrants

In absence of the liquid market , Regulatory Authority should play an active role to ensure that balancing tariffs are non-discriminatory and cost –reflective. At the same time, appropriate incentives should be provided to balance in-put and off-take of gas, not endanger the system

As soon as the market is sufficiently liquid, transparent market-based mechanisms, for supply and purchase of gas needed in the balancing framework, should be set up

TSO's obligations (Art 8.2):

To adopt the rules for balancing the gas transmission system (including the rules for imbalance charging) which shall be objective, transparent and non-discriminatory Terms and conditions, including rules and tariffs, shall be established pursuant to a methodology (in line with the Art 25.2) in a non-discriminatory and cost-reflective way

The rules shall be published

DSO's obligations (Art 12.5):

Same as for TSO, where DSO is responsible for balancing

RA's responsibilities (Art 25.2):

The RA shall be responsible for fixing or approving prior to their entry into the force, at least the methodologies used to calculate or establish the terms and conditions for the provision of balancing services

Relevant aims of the Regulation:

Non-discriminatory and transparent balancing mechanisms are important mechanisms, particularly for new market entrants, which may have difficulties balancing their own sales portfolio

It is necessary to lay down the rules to ensure that TSOs operate balancing mechanisms in a manner compatible with non-discriminatory, transparent and effective access conditions to the network, on objective criteria

One of the objective is the setting of harmonized principles for tariffs, or the methodologies for their calculation, for balancing services

Balancing period = period within which the offtake of an amount of gas (in units of energy), must be offset by every network user by injection of the same amount of gas into the transmission network, in accordance with transportation contract or the network code

Balancing rules shall reflect system needs taking into account the resources available to TSO

In the case of non-market based balancing mechanisms, tolerance levels shall be designed to reflect seasonality or to reflect actual technical capabilities of the transmission system

Imbalance charges shall be cost reflective to the extent possible, providing the incentives on network users to balance their input and offtake of gas, avoiding cross-subsidisation between network users, and not hampering the entry of new market entrants

Calculation methodology of imbalance charges shall be made public – by TSO or by competent authority

TSO may impose penalty charges on network users whose input and offtake is not in balance according to the balancing rules

Penalty charges exceeding the actual balancing costs, shall be taken into account for calculating tariffs in the way that does not reduce the interest in balancing, and shall be approved by the competent authorities

In order to enable network users to take timely corrective action, TSO shall provide sufficient, well-timed and reliable on-line based information on the balancing status of network users

The level of provided information shall reflect the level of information available to TSO

The charges for such information can be introduced, but should be public by TSO and approved by the competent authority

TSOs have to make efforts to harmonize the balancing regimes and streamline structures and levels of balancing charges in order to facilitate gas trade

Gas Regulation 715/2009

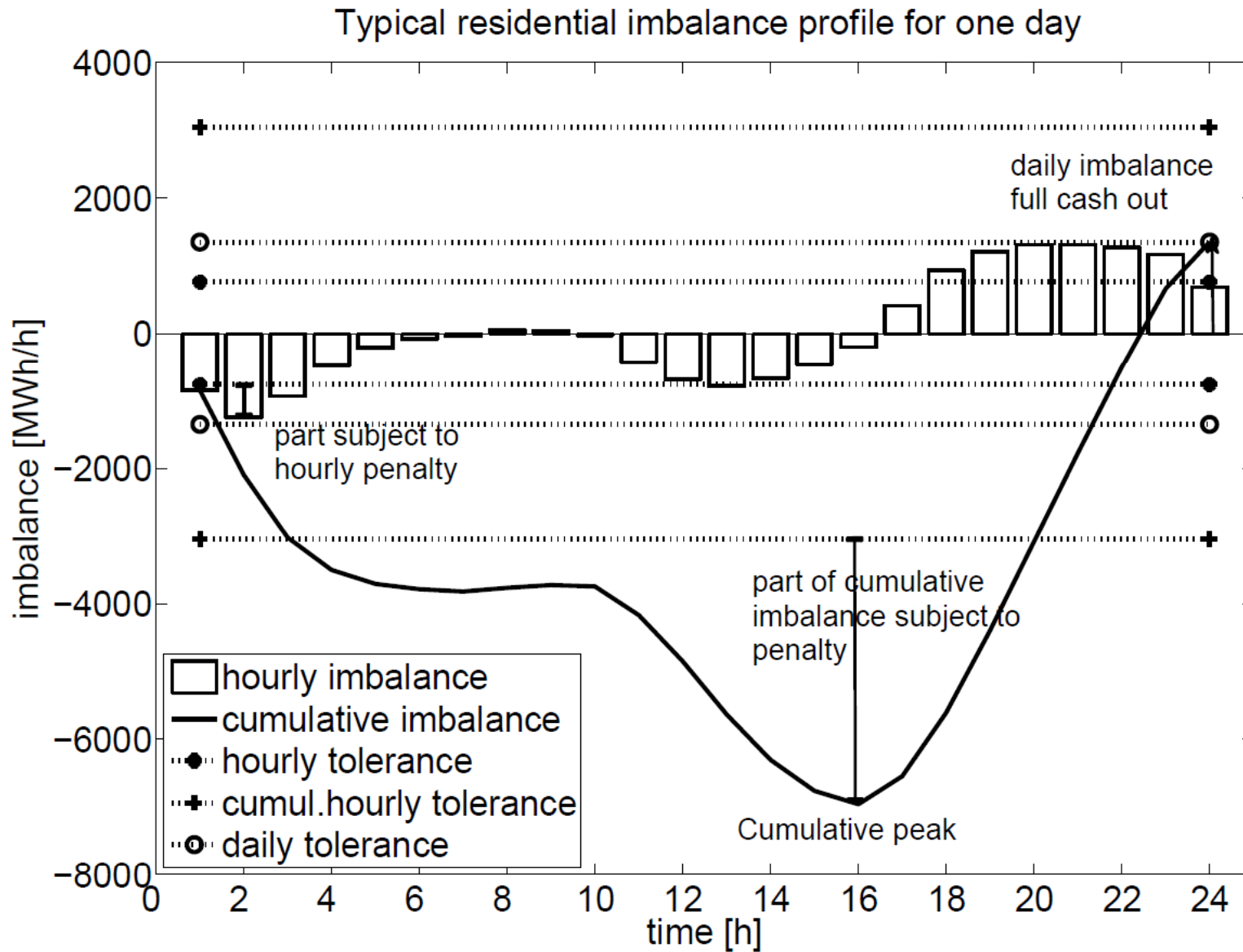
Article 21: Balancing rules & imbalances charges

- Balancing rules shall be fair, non-discriminatory, transparent, market-based and reflect genuine system needs
- TSOs shall provide information on balancing status of users (free of charge)
- Imbalance charges shall be cost-reflective & provide incentives on users to balance their inputs and off-takes
- Member States to ensure that TSOs endeavor to harmonize balancing regimes to facilitate gas trade

Article 8.6(j): Network codes shall cover the following areas

- balancing rules (including nomination procedures)
- rules for imbalance charges
- rules for operational balancing between systems

Theoretical background



Source: EUI Working Papers RSCAS 2010/71

Theoretical Background

EU – 2nd Package

Problems - identification (by ERGEG):

- Balancing regime do not reflects the needs of system users and do not take into account their available resources
- Users are not consulted in the drafting of balancing rules
- Penalties instead of market prices
- Lack of harmonization between balancing regimes
- Hourly balancing period
- Balancing models often favour incumbents
- Small size of balancing zones leads to increased costs
- Many differences between balancing regimes/systems exist currently
- Physics should determine size of balancing zones not politics

EU - 3rd Package

Task to European energy regulators ERGEG at 17th Madrid Forum:

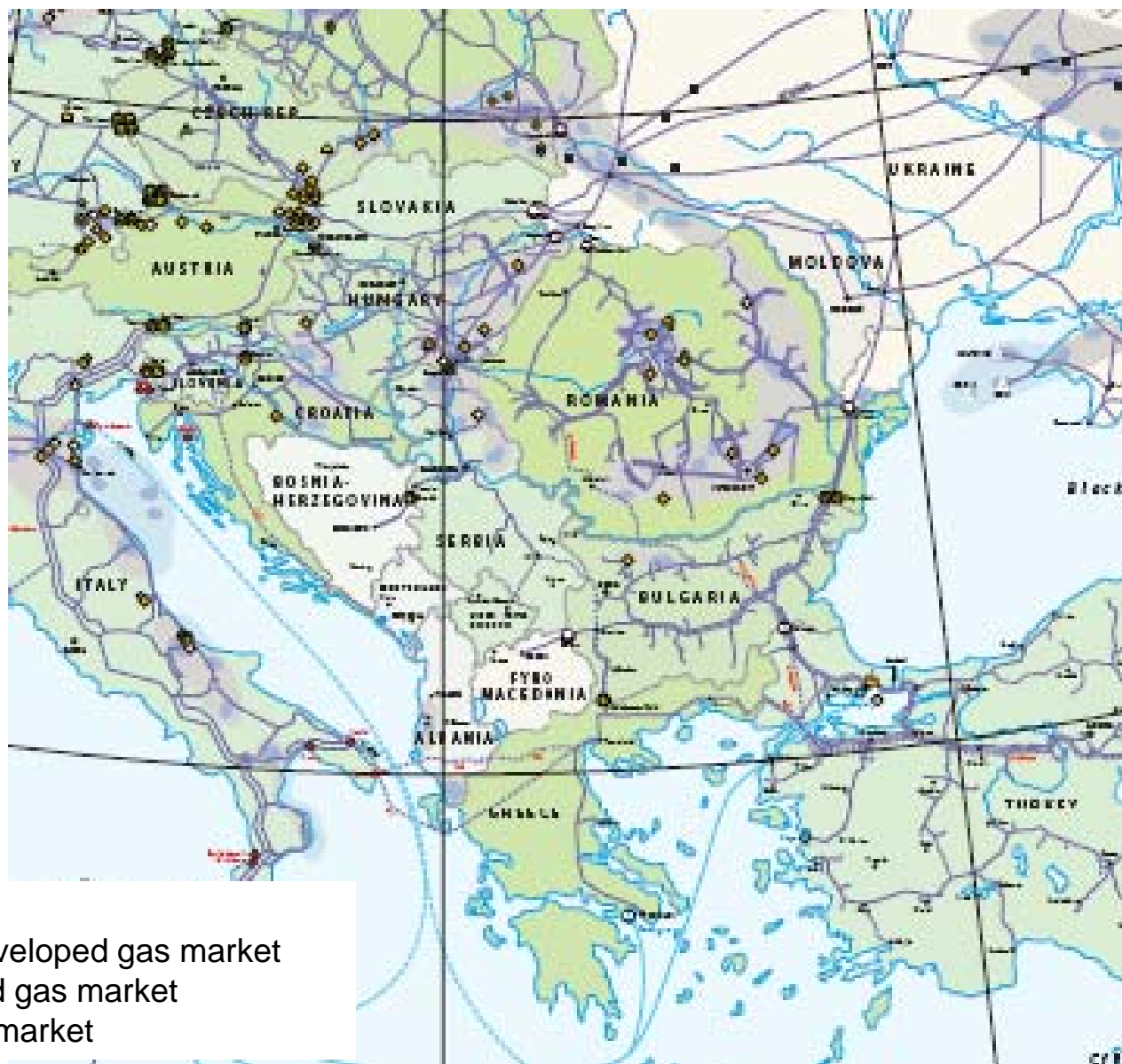
To present draft framework guideline on balancing to the 18th Madrid Forum

ERGEG's existing GGP-GB and the KEMA study on methodologies for gas transmission network tariffs and gas balancing fees in Europe are taken as a starting point for this work.

Close cooperation with ENTSOG and all other stakeholders is needed to discuss and exchange views on the best design of the framework guideline.

Submission of draft framework guideline to EC in February 2011

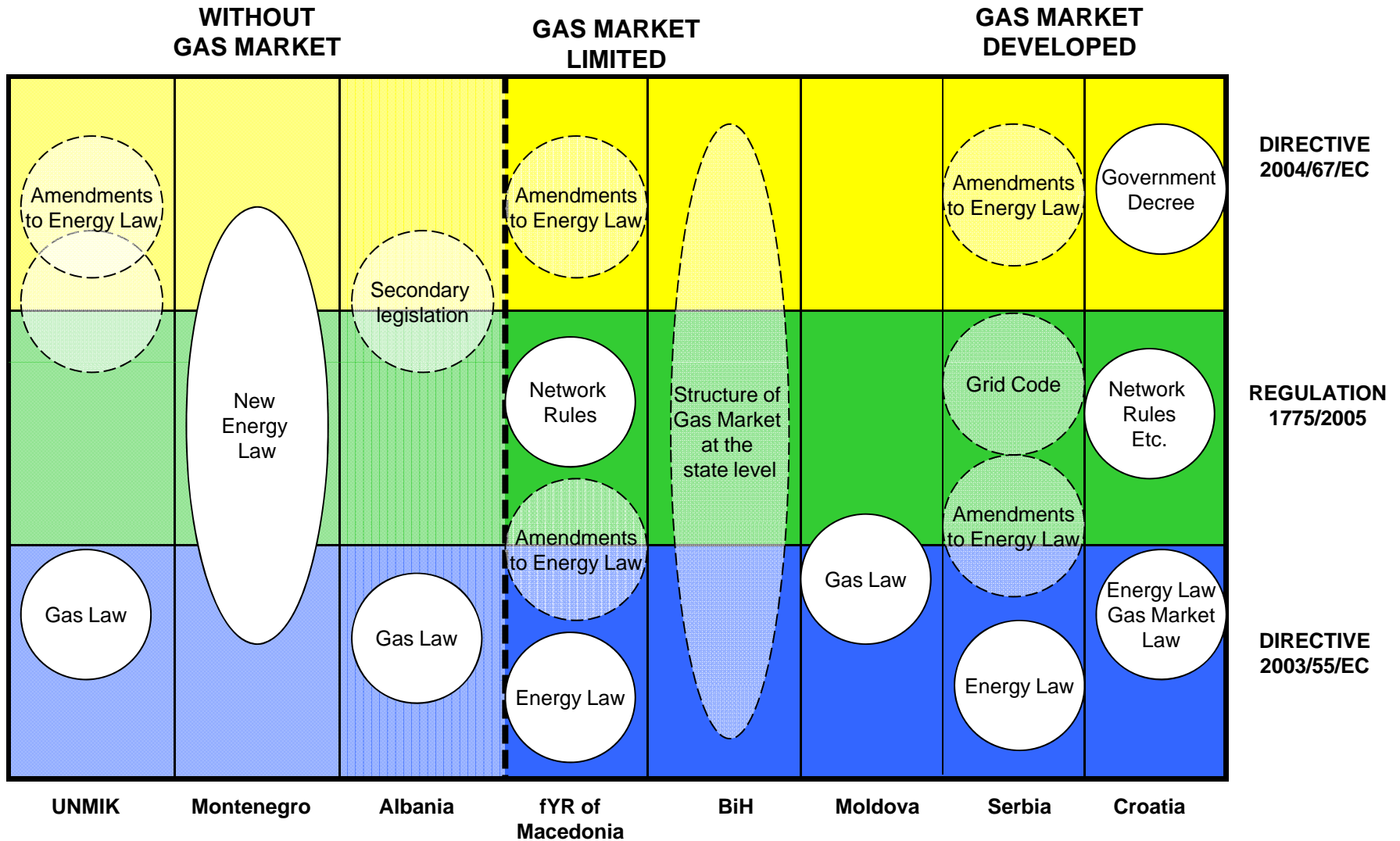
Practical Background – in the Contracting Parties



8 CPs:

- 3 relatively developed gas market
- 2 undeveloped gas market
- 3 without gas market

Practical Background in the Contracting Parties



All but one Regulatory Authority with jurisdiction over gas sector on the state level

Practical Background in the Contracting Parties



Bosnia and Herzegovina:

0.3 Bcm/y; 40% distribution in Sarajevo; 55% two biggest industrial customers; Partial SCADA system
Balancing by linepack

Croatia:

3.3 Bcm/y; 27% households customers; SCADA system, DC
Balancing by linepack and storage (0.550/0.630 Bcm – max)
Ordinance on the Natural Gas Market Organisation; Network Rules of the Gas Transmission System

Moldova:

3 Bcm/y; 27% households customers
Balancing by linepack

Former Yugoslav Republic of Macedonia:

0.1 Bcm/y; only industrial customers, no SCADA system
Balancing by linepack (if needed; no congestion)
Network Code in place since 2009 (daily period; physical & commercial balancing; fees for balancing)

Serbia:

2.3 Bcm/y; 19% households customers (+24 % for district heating), new SCADA to be built
Balancing by linepack and storage (0.200 Bcm – now)

Thank you for your attention

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