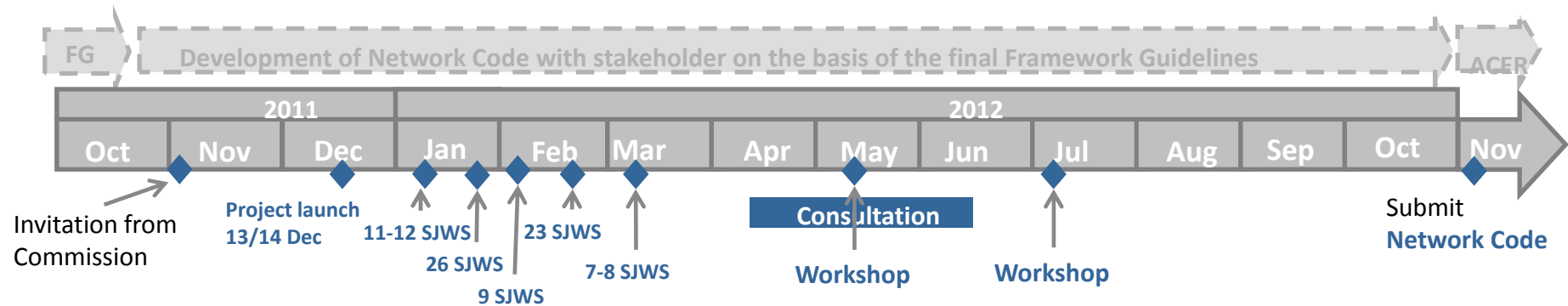


European Gas Balancing Code Update



ENTOG - project plan



Date	Event
13 April 2012	Public consultation on the Draft Code launched
9 May 2012	Mid-consultation workshop
12 June 2012	Deadline for responses to the public consultation
26 July 2012	Post-consultation workshop
22 August 2012	Code and supporting document published; Stakeholder process starts
4 September 2012	Stakeholder Support process ends
5 November 2012	Final ENTSOG – drafted Code submitted to ACER

Consultation Phase

- Balancing Draft Code and Consultation issued 13 April
- The response deadline is 17:00 CET 12 June
- The ENTSOG consultation and other documentation can be found at:

<http://www.entsog.eu/publications/balancing.html>

- ENTSOG have requested that responses are:
 - Focused and succinct as possible and provide supporting evidence where available
 - Made via the formal consultation response form

EU Gas Balancing Draft Code

- There are 11 chapters and 46 pages of text
- NG Transmission has identified some minor issues with the legal text and these are being progressed directly with ENTSOG
- NG Transmission initial view is that the code is generally consistent with ACER's Framework Guidelines and broadly consistent with the GB regime but some differences have been identified

Chapter	Title
1	General Provisions
2	Balancing System
3	Cross-border cooperation
4	Operational Balancing
5	Nominations
6	Daily Imbalance Charges

Chapter	Title
7	Within Day Obligations
8	Neutrality Arrangement
9	Information Provisions
10	Linepack Flexibility Services
11	Implementation, Interim measures and entry into force

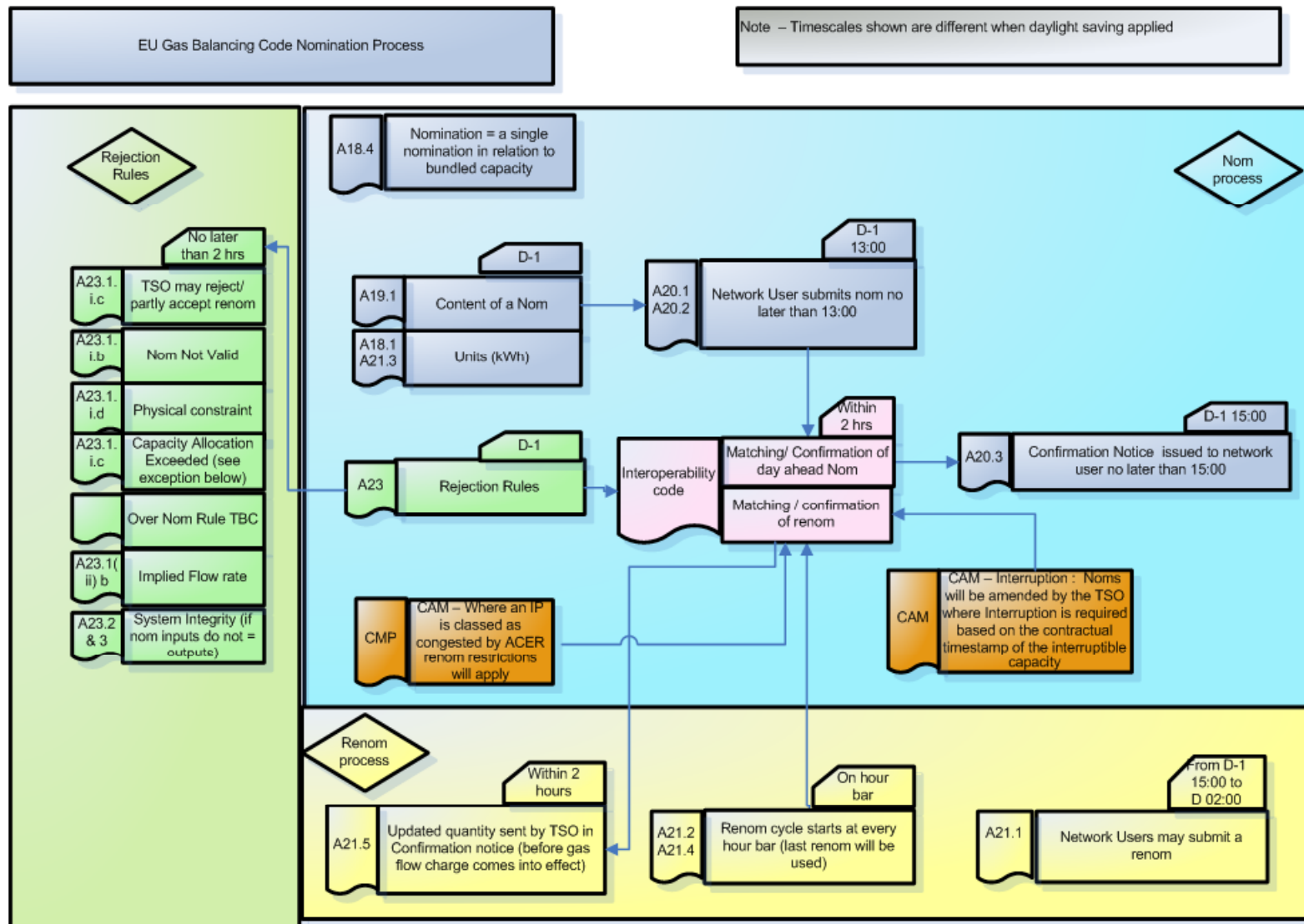
NG Transmission's initial impact assessment of draft EU Network Code against UNC (1)

Chapter	Difference	TSO Obligation
1. General Provisions	<ul style="list-style-type: none">• EU Network Code shall prevail over any other national network codes or national legislation	
2. Balancing System	<ul style="list-style-type: none">• Broadly consistent with the principles of the GB regime	Residual Balancer
3. Cross-border cooperation		Consultation on options
4. Operational Balancing	Short term standardised products: <ul style="list-style-type: none">•No GB “Physical Market” product defined but product can be replicated through Locational product•Temporal Market Product (an optional tool available)	SMPS style “merit order” is described

NGT Initial IA of draft EU Network Code against UNC (2)

Chapter	Difference	TSO Obligation
5. Nominations	<ul style="list-style-type: none">• New Nomination process required for Interconnection Points (IPs)<ul style="list-style-type: none">• Key area of change• Confirmation & matching process incorporated (still to be defined by Interoperability code)• Introduces ability for TSO to reject or partially accept a User's Nominations in certain circumstances• Interactions with CAM, CMP, interoperability Codes are being analysed by NGT	Daily and hourly nominations (at IP) – consultation on whether harmonisation is required

Nomination Process Overview



NGT Initial IA of draft EU Network Code against UNC (3)

Chapter	Difference
5. Noms - interactions with CAM	<ul style="list-style-type: none">• Transitional arrangements maybe required to deal with nominations related to unbundled capacity (until sunset clause comes into force) and new bundled capacity/single noms.• The Nominations Process at IPs introduces a direct link to allocated capacity (including allocations through the within day auctions).<ul style="list-style-type: none">• The exception rule ('over Nomination') suggests that any units above the allocated firm capacity could be treated as available interruptible capacity.• We feel that this area is unclear and interruptible capacity should only be allocated via an auction as this is a more market based approach and would remove need for the "exception rule" above.• Within day capacity auctions (flow to occur within 2 hours of auction) conflicts with the Nomination timings (nomination window (1Hr) and Matching & confirmation cycle (up to 2Hrs)).<ul style="list-style-type: none">• Options are being investigated by ENTSOG
	<ul style="list-style-type: none">• May mean that the capacity auction needs to be held 4 hours before the effective start time

NGT Initial IA of draft EU Network Code against UNC (4)

Chapter	Difference	TSO Obligation
6. Daily Imbalance Charges	<ul style="list-style-type: none">• System Clearing prices to be based on Title trades only	
7. Within Day Obligations (WDOs)		Consultation on any existing or proposed WDOs
8. Balancing Neutrality Arrangements	<ul style="list-style-type: none">• A degree of interpretation required but considered to be broadly consistent with GB arrangements	

NG Initial IA of draft Network Code against UNC (3)

Chapter	Difference	TSO Obligation
9. Information Provision	<ul style="list-style-type: none">• NDM Derived Forecast – day ahead at 12.00 UTC (timescale linked to IP Nominations process)	More frequent info - Cost Benefits Analysis (CBA) and consultation
10. Linepack Flexibility Service	<ul style="list-style-type: none">• Product defined	Prior approval of proposal by NRA
11. Implementation, Interim Measures and Entry into force	<ul style="list-style-type: none">• Interim measures are unlikely to apply to GB• Member states have 12 months to comply after EU code comes into force	TSO can request an additional 12 months (24 months in total)
Annex 1. Definitions	<ul style="list-style-type: none">• Gas day (5:00 to 5:00 UTC)	

Consultation questions of potential interest to GB stakeholders

- 57 questions raised
- GB stakeholders are encouraged to provide:
 - Views on key elements of a daily balancing regime and the level of detail provided:
 - Operational balancing and trading related questions (Q5 to Q14)
 - System Clearing Charges and small adjustment (Q19 to Q23)
 - Balancing Neutrality (Q30 to Q36)
 - Level of detail in the code (Q55 to Q57)
 - Views on the new Nomination process for IPs
 - Nominations (Q15 to Q18)

Balancing Network Code: Stakeholder Perspective

Helen Stack

4th DECC Ofgem Gas SG meeting, 18 May 2012

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Agenda/Contents

- **Problem identification**
- **Stakeholder recommendations**
- **Stakeholder reaction to ENTSOG proposals**
- **Ensuring your views are heard**



•For the official views of stakeholder associations please refer to associations' websites and the consultation sections of the ACER & ENTSOG websites.

Problem Identification

Fragmented, punitive and intransparent regimes did not facilitate trading

Problems

- **Wide variety of regimes across EU: daily, hourly, monthly, cumulative**
- **Punitive & arbitrary imbalance charges**
- **TSO procurement not market based**
- **TSO balancing costs not efficiently incurred**
- **System users lacking access to data needed to manage imbalances**
- **Errors & delays in allocation and reconciliation process**
- **Lack of appropriate incentives on TSOs and network users to support efficient balancing regime**

Constraints

- **Diverse TSO network infrastructure design e.g. affects level of linepack**
- **Low liquidity in some local markets, especially outside NW Europe**
- **Different policy tools being used to improve national regimes**

Stakeholder recommendations

Many network users supported a target model based on the GB balancing regime

- Daily balancing with end-of day cash-out
- TSO procures balancing services on within-day wholesale market
- Measures to ensure TSO balancing actions are efficiently incurred
- Imbalance charges reflect actual costs incurred
- Data transparency on individual portfolio and overall system status
- Effective processes in place between TSO and DSO
- Accurate and timely allocation and reconciliation
- Linepack used by TSO to support daily balancing.
- Interim steps where clearly needed, subject to NRA approval
- *Acknowledgement of benefits of Dutch continuous balancing regime e.g. Data transparency has contributed to reduction in system balancing cost*

Resulting ENTSOG Draft Code generally consistent with GB regime with some minor impacts

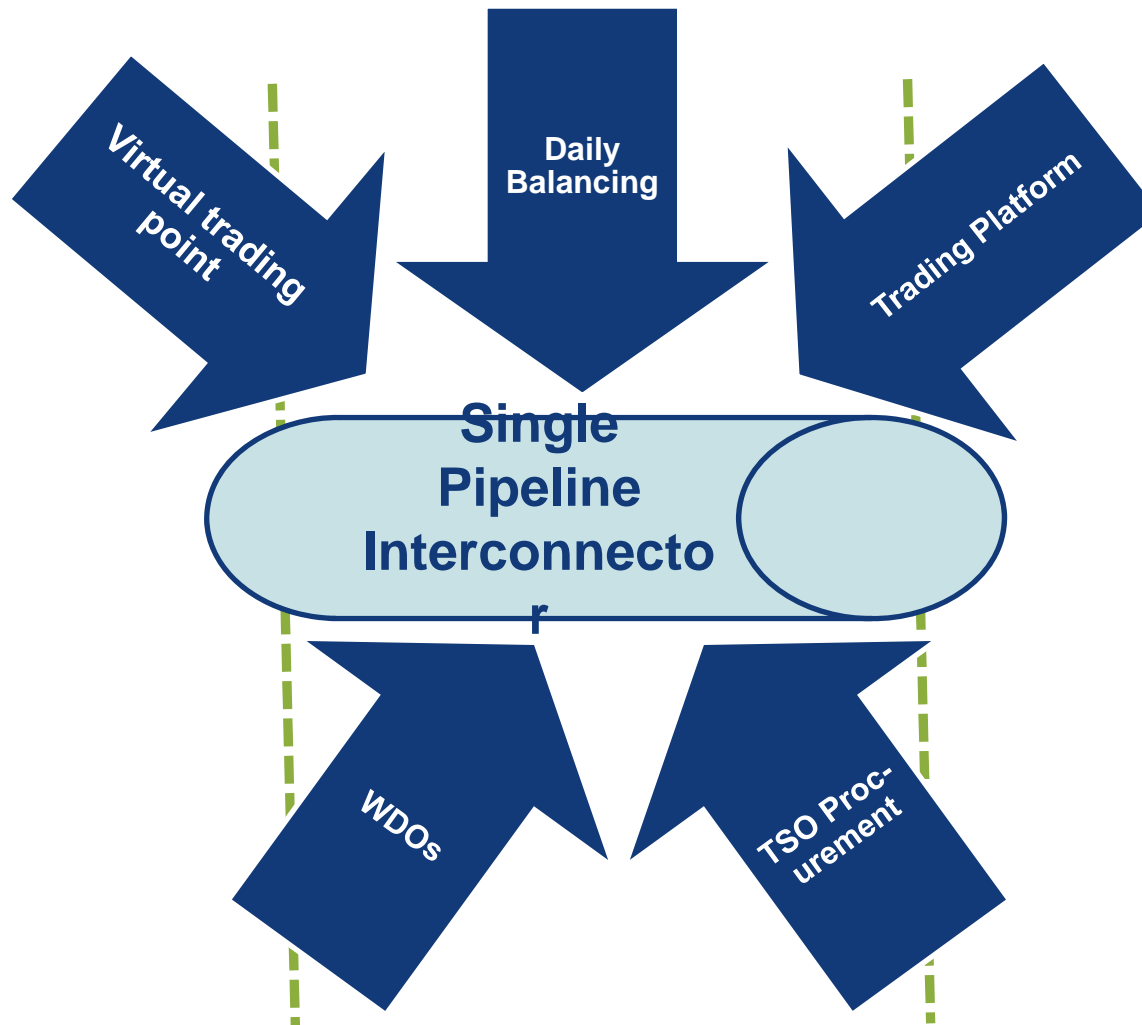
Stakeholder reaction to ENTSOG proposals

Generally delivers requested target model, but some areas for improvement

- **Too much TSO discretion, e.g. “shall consider” instead of “do”**
- **NRA discretion accommodates system differences but limits harmonisation.**
- **Need binding TSO merit order, with prioritisation of short term and title market products**
- **Within Day Obligations (WDOs) - some harmonisation may be needed. Should be linked to information and tools available to users**
- **Earlier CBA for more frequent system and user information**
- **Imbalances users cannot control due to inaccurate TSO data should be settled at a neutral price (Eurogas)**
- **“Small adjustment” for marginal price calculation – currently no harmonisation of methodology, ENTSOG asked stakeholders to elaborate ideas**
- **Neutrality detail out-of-scope, but will require careful consideration.**
- **DSOs concerned over ICT challenges**

Stakeholder reaction to ENTSOG proposals

How will the rules designed to for large network systems apply to GB interconnectors?



Ensuring your views are heard!

ENTSOG analysis consultation responses will follow CAM Network Code template

- To date ENTSOG has taken a pragmatic approach to incorporating stakeholder feedback in the Balancing Network Code.
- Risk that changes are decided based on counting Yes/No responses to consultation questions.
- This happened for CAM when ENTSOG chose Yearly products over Quarterly for LT auctions.
- Consultation closes 12 June. Answering all 56 questions is optional!

Table 1: Overview of results of multiple choice questions

1. Products		2. Start date		3. Algorithm		4. Limit price steps	
Quarterly	14	1 st Jan	5	Multiple round	28	Unlimited	35
Yearly	24	1 st Oct	29	Single round	6	Limited	1
No preference	0	No preference	4	No preference	4	No preference	2

5. Minimise unsold		6. Default rule		8. Auction premium split	
Minimise	9	Maximum rule	12	Proportional	12
Draft NC	24	Partially unbundled rule	5	Equal	9
No preference	5	No preference	21	No preference	17