

Response by EUROPEX

to the

Public consultation by ACER on

“Framework Guidelines on Gas Balancing in Transmission Systems”

8 June 2011

EUROPEX

Rue Montoyer 31 Bte 9

BE-1000 Brussels

T. : +32 2 512 34 10

E.: secretariat@europex.org

1. EUROPEX welcomes the Public Consultation by ACER on “Framework Guidelines on Gas Balancing in Transmission Systems” and thanks for the opportunity to take part in the consultation.

Objectives and network users / TSO roles and responsibilities

2. EUROPEX advocates the development of integrated, liquid and efficient wholesale markets for gas in Europe and considers market-based balancing rules as a corner stone of this objective. The current patchwork of balancing rules and mechanisms across Europe hampers cross border gas trading and as such impedes the development of liquid, integrated (spot) markets.
3. Therefore, EUROPEX strongly supports the writing of the Balancing Network Code aimed at developing harmonized balancing rules and market based balancing mechanisms between adjacent market areas or Member States. EUROPEX fully agrees with the general principles of the Framework Guidelines:
 - Network users shall be primary responsible for balancing their portfolios and must be able to adjust deviations between their system inputs and off-takes by buying or selling gas on a spot market (either day ahead and/or intra-day).
 - TSOs are ultimately responsible for maintaining the overall network integrity and shall redress residual network imbalances by buying or selling gas on a spot market (either day ahead and/or intra-day). Network users shall be allowed to assist the TSO in restoring system balance by buying/selling gas on a spot market.
 - Balancing period should be based on the standardised gas day at the end of which network users are ‘cashed out’ by the network operators for any remaining imbalances.
4. When needed, interim steps to achieve the common balancing regime should be subject to NRAs control and should be limited in time.

Buying and selling of flexible gas and balancing services by TSOs

5. EUROPEX agrees that the TSOs procurement and sale of gas for balancing purposes should be market-based: TSOs should use the wholesale market to cover 100% of their balancing needs. By buying or selling gas through the market, TSOs release flexibility and provide additional liquidity to the wholesale market. Therefore, TSOs interventions on the wholesale market are a key element for the facilitation of liquid trading places and for the formation of reliable and transparent spot prices that can be the reference prices for settlement of imbalance charges (and hence, should participate in full-measure to the price settlement).
6. For those reasons, EUROPEX believes that the adoption of the concept of “liquidity” as leading criterion for deciding whether TSOs should procure balancing gas through the wholesale market or, alternatively, TSOs should set up an “ad hoc” balancing platform, could be misleading. In fact, the coexistence of two different platforms (wholesale and balancing) would split achieved liquidity and, consequently, would hamper the creation of a wholesale market liquidity. On the contrary, the progressive use of the wholesale market by TSOs is a key element for the further development of its liquidity.
7. Therefore, EUROPEX believes that where a wholesale market is insufficiently liquid, possibility for TSOs to procure flexible gas and balancing needs through an “ad-hoc” balancing platform or to intervene in smaller proportion (with respect to the total balancing needs) in the wholesale market should be strictly limited only to transitory period pre-defined by the NRAs. In addition, those transitory measures should be justified by NRAs through an analysis of the conditions in the system that, combined with full intervention by TSOs in a not sufficiently liquid wholesale market, could result in inefficient outcomes. Moreover, NRAs should identify measures and a road-map with clear deadlines in a view of removing the conditions that prevents TSOs to cover 100% of its need through the wholesale market.

Balancing period and nomination procedures

8. EUROPEX fully supports that the balancing period for a transmission system is a standardised daily interval based on the European harmonised gas day, at the end of which network users are cashed out for any deviations between their inputs into and off-takes from the system.

Imbalance charges

9. EUROPEX supports the introduction of harmonised and transparent methodologies for calculation of imbalance charges that incentivize network users to balance their inputs and off-takes of gas. Imbalance charges shall reflect the costs incurred by the TSOs when balancing the network and therefore, EUROPEX agrees with the proposal of ACER to base imbalance charges on the marginal sell (buy) price at which the TSO sell (buy) gas through the wholesale market. With such a mechanism, network users are incentivized to ensure system balance.

TSO information provision obligations

10. EUROPEX agrees that network users need to have reliable information on their consumptions and on the state of the network. Yet, whatever information is made available by TSOs, network users should be incentivized in balancing the network.

Cross-border cooperation

11. EUROPEX supports the idea of merging entry-exit balancing zones but only if it is technically feasible and economically reasonable. If it is not, EUROPEX supports market coupling solutions specifically designed for the gas market. Implicit allocation of capacities could help optimizing capacity usage for network users and promote liquidity.

Additional Comments

12. Energy Exchanges have shown in the past their ability to design, implement and operate (balancing) markets in a highly professional manner and in accordance with the needs of the market participants and TSOs. Therefore, EUROPEX is keen on providing assistance in the development, implementation and operation of balancing regimes. Below we provide our view on the role of exchanges.

13. The role of an exchange is to:
 - provide a centrally cleared and liquid trading market for network users and TSOs;
 - perform the role of Central Counter Party (CCP) which protects TSOs and network users from counterparty risk, enables an efficient settlement process of imbalance charges and ensure the anonymity of market parties;
 - ensure a fair and orderly market process through transparent and non-discriminatory market rules, subject to oversight of national regulators,
 - reduce entry barriers by applying transparent and non-discriminatory accession rules;
 - provide timely and relevant information relating to prices, volumes, indices and balancing actions taken by the TSO whilst preserving the anonymity of market parties,
 - support TSOs and network users in implementing processes and products which are in line with market principles, with particular focus on the design of rules balancing actions by TSOs.