

## **ERGEG gas regional initiative**

### **North and North-West regional energy market (REM) project**

#### **Definition of workstream**

**Regulator key contact: Cemil Altin (Ofgem)**

**Tel: +44 (0) 2079017401**

**Email: [cemil.altin@ofgem.gov.uk](mailto:cemil.altin@ofgem.gov.uk)**

**Mobile : 07831 546821**

**Operator key contact: Steve Pownall (National Grid)**

**Email: [steve.pownall@uk.ngrid.com](mailto:steve.pownall@uk.ngrid.com)**

**Tel: 0044 1926 6362**

### **GAS BALANCING INTERACTIONS**

#### **Issues and challenges**

Gas balancing has a crucial role to play in underpinning the development of a competitive market in gas. Against this background, ERGEG has developed draft guidelines for good practice for gas balancing (GGPGB). The GGPGB set out guidance to regulators and TSOs in the design of gas balancing mechanisms. The consultation period on the draft version of the GGPGB has recently closed and a final version will be produced over the next 2 months. Following the publication of the GGPGB, it will be necessary to review the work plan for this priority to ensure that it is consistent with the relevant GGPGB requirements and that all the intended activities are still appropriate.

Interactions between balancing regimes can impact on the flow of cross-border trade and competition. These interactions are likely to increase in importance as the single market develops over time. The development of an internal market in gas – and regional markets as an interim step – requires consideration of differences in balancing regimes. This is recognised in the Gas Regulation which came into effect on 1 July 2006 and requires that...“Member States shall ensure that TSOs endeavour to harmonise balancing regimes and streamline structures and levels of balancing charges in order to facilitate gas trade”.

The draft GGPGB indicates that NRAs and TSOs shall endeavour (consistent with the Gas Regulation) to harmonise balancing regimes and streamline structures and levels of balancing charges in order to facilitate trade between Member States and in particular with regards to:

- a. tolerances;
- b. imbalance charges; and
- c. balancing periods.

It is also important to understand how the provision of flexibility differs between (neighbouring) TSOs and whether these differences are a barrier to trade. In addition, information exchange between TSO-TSO and shippers-TSO in relation to balancing issues is crucial when evaluating the need for harmonisation.

In considering the above issues the following points should be elaborated:

- the way in which the balancing regimes interact;
- identify key differences and the reasons why they exist;
- the impact of any differences on trade and the incentives provided to network users and TSOs;
- how differences in balancing arrangements linked to safety and security impact on trade, incentives and costs;
- areas for harmonisation and a timetable for making changes;
- identify how balancing information issues will be managed.

Where it is justified that balancing regimes remain different between interconnected networks, "standardised agreements" and procedures between the TSOs should be put in place in order to facilitate gas trade. The content of these agreements should reflect best practice methods.

To ensure transparency the relevant sections of these agreements shall be published following open consultation with all market participants. This may identify shortcomings with regard to the procedures, which should then be addressed by the relevant TSOs.

TSOs should also consider what arrangements for gas balancing would be required in the medium term for the development of a regional and longer term single market – for example, would balancing zones that cover more than one network be appropriate and if so how would this work.

The table below highlights the key areas of work and identifies responsibility for taking this forward.

### **Outline work plan**

Issue	Description	Responsibility	Timing
1. Develop a stakeholder questionnaire on the impact of differences between balancing regimes.	Initially it is important to assess whether differences between balancing regimes are causing a barrier to trade, the nature of the problem and potential solutions. RCC and TSOs to develop questionnaire.	RCC & Operators	Oct 9/10
2. Review and completion of questionnaire by stakeholders	Stakeholders should have an opportunity to review the questionnaire and provide any material comments before completion.	Stakeholders	End of October
3. Report on stakeholder issues	Produce report and presentation on the barriers to trade caused by the interaction of different balancing regimes. Findings to be presented at Madrid Forum.	RCC and Operators	December
4. Develop action plan	Action plan developed to address the priority issues identified and substantiated by stakeholders. It should be recognized that this may require the involvement of other authorities including Member States.	RCC and Operators	End of December.
5. Implement Action Plan	Actions allocated to relevant parties and completed.	All	2007

### **Reference material**

- Gas balancing: An ERGEG discussion paper, July 2005
- Gas balancing: An ERGEG conclusions paper, April 2006
- Draft guidelines for good practice for gas balancing (GGPGB), April 2006
- Regulation (EC) No 1775/2005 of the European Parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission networks, OJ L 289/1 (3.11.2005).
  
- GTE response to the GGPGB