

Implementation of BAL NC in Poland NRA view

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12 December 2017

- Main objectives of BAL NC
- Gas market in Poland
- Interim Measure in Poland
- Operational Balancing
- Information provisions
- Main obstacles and challenges of implementation

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC
- Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005
- Commission Regulation (EU) No 312/2014 of **26 March 2014** establishing a Network Code on Gas Balancing of Transmission Networks (BAL Network Code)
- Entering into force of the BAL NC – **16 April 2014**
- Application of the BAL NC – **1 October 2015**
- The end of interim measures – **16 April 2019**

Facilitating a single market

- Remove barriers to cross-border trade created by different balancing arrangements
- Reduce fragmentation of the market by looking at ways to merge balancing zones
- Promote the development of regional markets by encouraging the use of interconnectors (and gas from cross-borders) in balancing

Develop liquid traded market

- Facilitate new entry by ensuring balancing arrangements are non-discriminatory
- Promote market liquidity at emerging gas hubs
 - by encouraging shipper trading across timescales
 - by having market arrangements for TSO procurement of balancing gas

Suitable for all parts of Europe

- Provides a coherent set of rules, which
 - lead to a common vision of balancing arrangements;
 - can be implemented in network codes and is enforceable by NRAs
 - take account of the different degree of market development across Europe (need for interim steps)

End- users:

- 6.9 million gas end-users
- including 6.7 million households

Transmission:

- OGP Gaz-System S.A. - Transmission System Operator - TSO (100% state-owned)

Suppliers:

- PGNiG S.A. - Polish Gas and Oil Company – 73,69% of retail gas market
- alternative suppliers: - 18,55% market share in Polish gas market
- 7,76 % import for own use by industrial customers

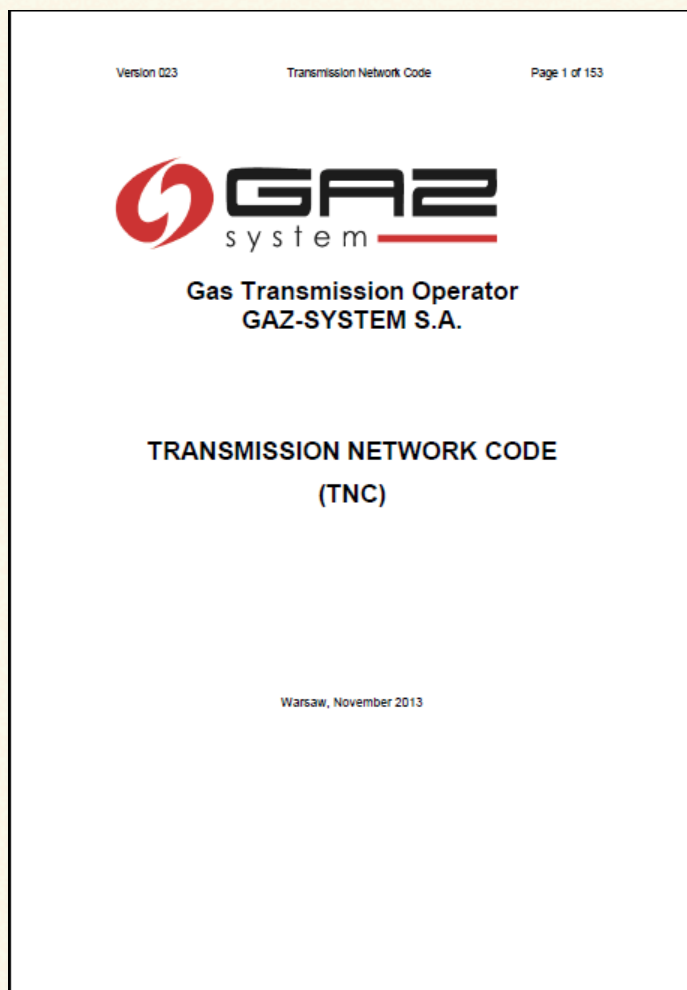
Distribution:

- PSG - 100% owned by PGNiG, unbundled
- 52 local DSOs

Storage:

- Gas Storage Poland Sp. z o.o. 100% owned by PGNiG, unbundled

Gas Transmission Network Code - TNC



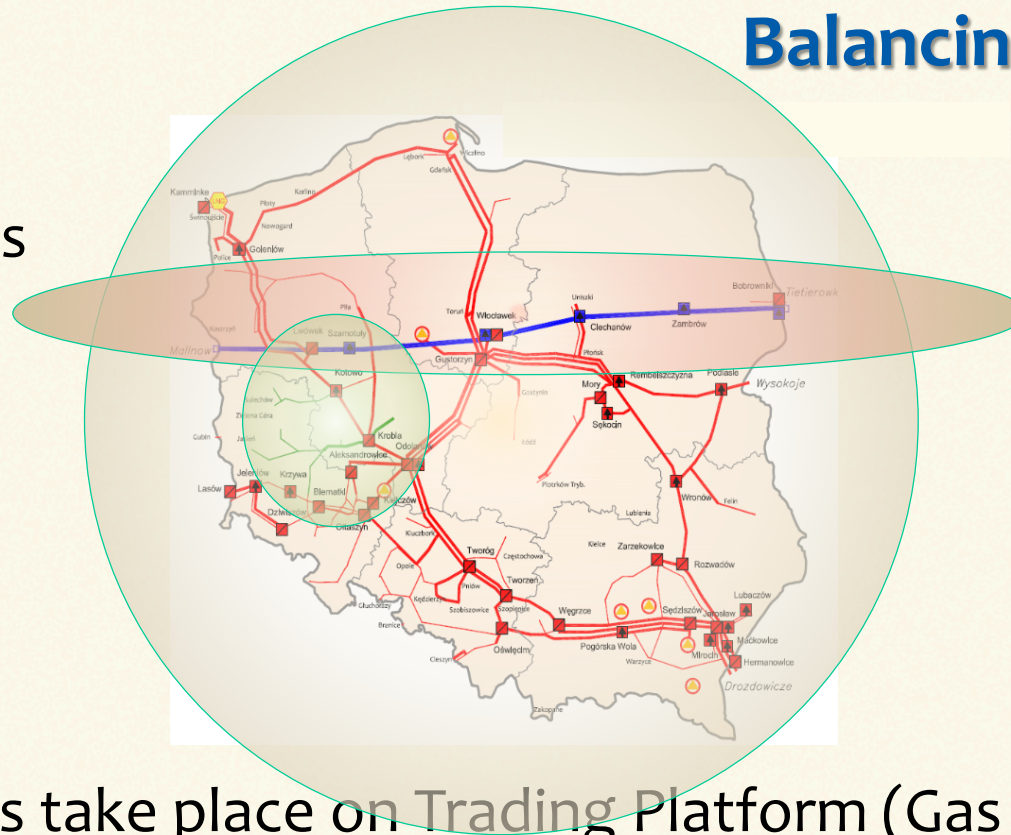
The Energy Law of 10 April 1997 Article 9g - TSO shall:

- prepare and update the TNC
- inform system users about the public availability of the draft TNC or its changes
- inform system users about the possibility to submit comments (not less than 14 days for public consultation)

TNC shall specify among others:

- detailed terms of use of transmission network by the system users
- terms and the methods of network operation
- planning of the network development
- connections to the transmission network
- rules for exchange of data and information
- allocation rules
- balancing rules
- congestion management rules

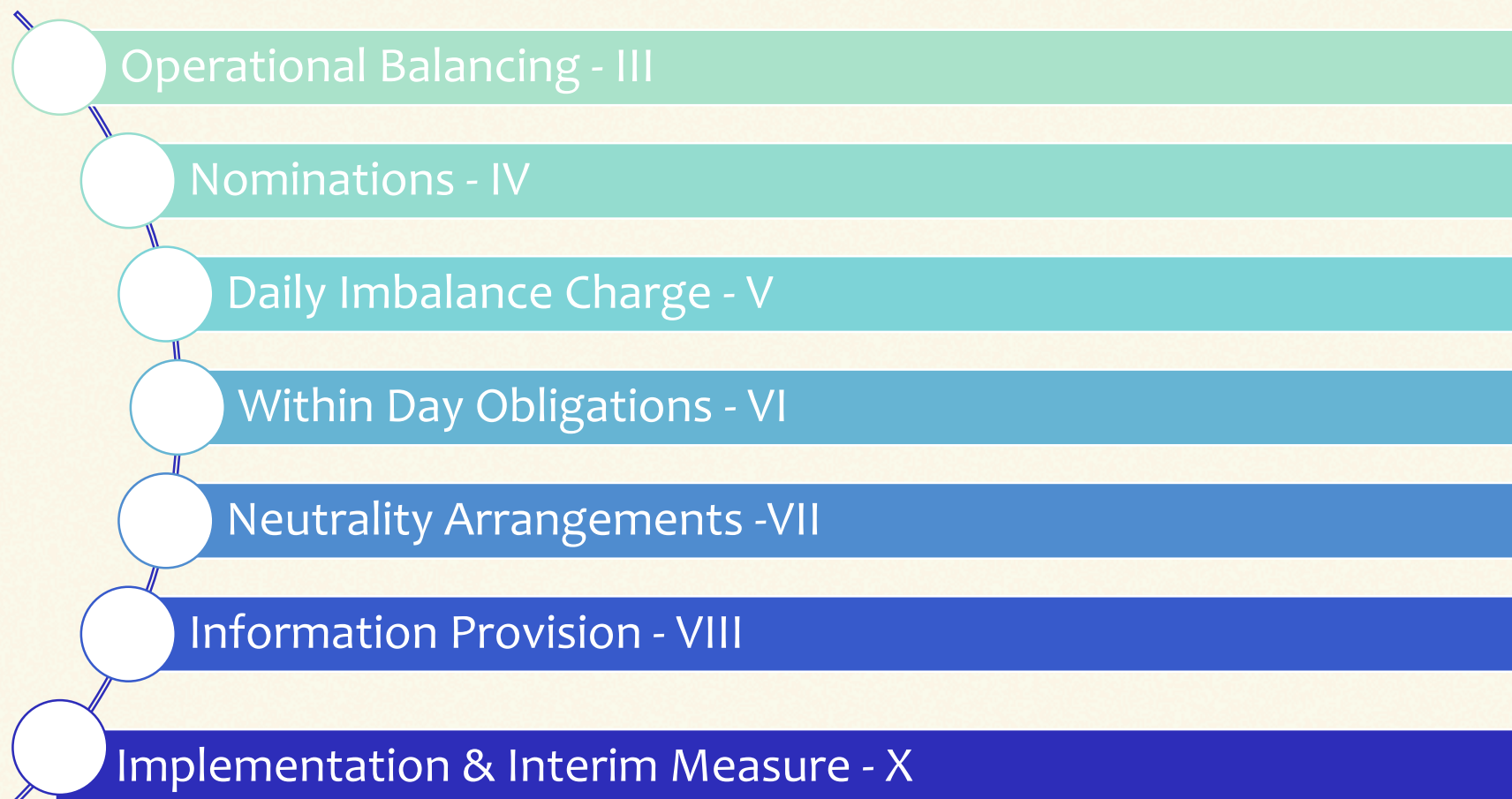
- 3 Balancing zones



- Balancing Actions take place on Trading Platform (Gas Exchange)
- Daily balancing
- Neutrality of balancing activities (no profit, no loss for TSO)
- Interim measures (i.e. balancing platform where not enough liquidity on trading platform, tolerance – 5 % of daily tolerance reduce to 2,5% from 1 April 2018) – in force until 1 October 2018 (possible extension to 2019)

BAL NC main tools enabling goals to be reached

The Code provides for a high degree of flexibility to TSOs and NRAs in the national implementation



Interim measures

- balancing platform
- interim imbalance charge
- tolerance
- alternative to imbalance platform
- When – in the absence of sufficient liquidity of the short term wholesale gas market
- No later than five years as from the entry into force of this Regulation
- TSO, before issuing the report to the NRA should make consultations with stakeholders
- The use of interim measure on the basis of the report approved by NRA. The report is submitted annually to NRA
- The report contains a description of the short term wholesale gas market, the interim measures proposed to be apply, reasons for application of this measure and steps that will be taken to remove the interim measures

- First report was approved on June 2015 for the time period from 1 October 2015 6:00 a.m. till 1 October 2016 6:00 a.m.
- Interim measures proposed in the first report: for the high-methane gas - balancing platform and tolerance (5%), for the low-methane gas - balancing platform and interim imbalance charge and for Transit Gas Pipeline System (TGSP) – balancing platform and interim imbalance charge
- Report approved every year
- Main problem – lack of liquidity in low-methane balancing zone and TGSP, as well as relatively high level of tolerance
- Next steps – lowering the level of tolerance to 2,5% as from 1 April 2018 and initiating preparation to implement within day obligations in low-methane balancing zone and TGSP balancing zone
- Withdrawing of all interim measures not later than 16 April 2019

Standard short-term products:

- shall be traded for delivery on a within day or day ahead basis
- 7 days a week
- in accordance with the applicable rules of the trading platform

Standard products:

- Title products
- Location products
- Temporal products
- Temporal locational products

TSOs are entitled to order balancing services in situations where standard short-term products will (or will not) provide for the maintenance of the transmission system:

- within the limits of its operational limits or
- in the absence of liquidity in the wholesale gas market for short term transactions

The TSO may seek approval from the NRA to trade within an adjacent balancing zone, and have the gas transported to and from this balancing zone, as an alternative to trading title products and/or locational products in its own balancing zone(s)

The TSO shall publish annually the information with regard to the costs




- **Principle** – the TSO shall not gain or lose by the payment and receipt of daily imbalance charges, within day charges, balancing actions charges and other charges related to its balancing activities
- Cost and revenues passed to the network user by TSO:
 - costs and revenues arising from daily imbalance charges and within day charges
 - costs and revenues arising from the balancing actions undertaken pursuant to art. 9 of the BAL NC
 - any other costs and revenues related to the balancing activities undertaken by the TSO
- An adjustment mechanism (revision) introduced in the calculation of the neutrality charge, both for the yearly and monthly cycle, which will ensure full cost neutrality

- Mechanism for assuring cost neutrality of the balancing approved by the decision of the President of URE in October 2015
- The mechanism will be in force for 3 years (till 1 October 2018)
- Costs and revenues included into the neutrality charge for balancing purposes:
 - costs and revenues arising from commercial imbalance charges incurred by individual shippers
 - costs and revenues arising from purchase/sale of gas
 - transportation costs for gas purchased for the balancing purposes
 - cost of access to trading platforms
 - costs related to gas trading transactions on a regulated market
 - financing costs in respect of transaction margins required
 - costs of maintaining the Balancing Market Platform
 - costs of salaries of the employees engaged in the activities related to the balancing
 - other revenues, including specifically the revenues from the charge arising from non-performance of system services by a network user

- **First phase of implementation** (gas year 2015/2016) - between October 1, 2015 and September 30, 2016, the neutralization fee - **zero**
- The balance of the TSO's result on the balancing activity was accumulated on the TSO's account and was settled from the shipper on a monthly basis in the next gas year
- **The second phase of implementation** (2016/2017 gas year) - between 1 October 2016 and 30 September 2017, two neutralizing systems will be in operation: **annual and monthly**
- An annual clearing system enabling the TSO to account for the balancing activity achieved in the gas year 2015/2016, whereby the redistribution of the result on balancing activities will be carried out on a monthly basis
- The monthly settlement system, whereby the neutralization rates will be set on monthly based on the result of the balancing activity obtained during the current month of the current gas year (2016/2017) and the TSO's result on the balancing activity will be settled in the following month.
- **Third phase of implementation** (2017/2018 gas year) - The target solution will be in the period from 1 October 2017 - **the monthly system** whereby the level of neutralizing rates will be determined monthly based on the result of balancing activities obtained in a given month of the current year and the TSO's result on the balancing activity will be settled in the next month

- Base case model
- The forecasting party – DSO (Polska Spółka Gazownictwa) – appointed in May 2016
- The forecast activity started – 1 September 2016
- In August 2016 PSG published the document called „The methodology of daily metered off-takes” forecasting of network user’s non daily metered
- Forecast party provides data to TSO not later than 13:00 UTC on gas day D-1 (day ahead forecast)
- Forecast party provides data to TSO not later than 13:00 and 19:00 on gas day D (within day forecast)

Information provisions- base cases implemented in Poland

	day ahead D-1 (forecast and measured flows)	within day D (forecast and measured flows)	within day D+1 (initial allocation)
Non Daily Metered NMD 	forecast <ul style="list-style-type: none"> based on profiles (statistical demand model) 	forecast <ul style="list-style-type: none"> at least twice per day 	final forecast
Daily Metered DM 	<ul style="list-style-type: none"> not provided 	<ul style="list-style-type: none"> not provided 	meter reading <ul style="list-style-type: none"> all gas measured shall be allocated
Intraday Metered IDM 	<ul style="list-style-type: none"> not provided 	meter reading <ul style="list-style-type: none"> at least twice per day all gas measured shall be allocated 	meter reading <ul style="list-style-type: none"> all gas measured shall be allocated

What has been achieved so far?

- Amendments to Transmission Network Code (in force as from 1 March 2016)
- Establishment of the mechanism for assuring cost neutrality of balancing – influencing the financial side of balancing activity of the network users
- Forecasting party designated in May 2016
- Creation of liquid market in high-methane gas area
- First steps in TGSP balancing zone – establishment of virtual point, Day-Ahead product on the trading platform

- Development of trading platform and improving market liquidity and development of short-term standardised products
- Establishment of completed entry-exit system with balancing zone
- Isolated parts of gas market – so called „islands”
- Designation of the forecasting party – providing the accurate forecast, improving the quality of information – limited number of instruments for NRA
- Implementing extraordinary instruments – balancing services, within-day obligations
- Complex legal environment

What has to be done to improve the functionality of the Polish gas market:

- Full implementation of BAL NC – April 2019
 - end of using the balancing platform
 - tolerance reduced to „zero”
 - lack of interim charges
- Possible improvement of the liquidity of high methane gas zone
 - longer hours of activity of trading platform
- Improving the accuracy of data provided by forecasting party
- Improving the liquidity of the market thanks to reduction of tolerance
- Building of the infrastructure (interconnection points)

**Thank you for your
attention**

