



IMPROVEMENT OF THE GTS CODE: DAILY BALANCING IMPLEMENTATION

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1. REGULATORY FRAMEWORK



- ✓ Gas Law aligned with the 3rd Energy Package DONE
- ✓ Creation of the entry/exit system and VTP DONE
- ✓ Introduction of GTS Code (CAM, CMP codes) DONE
- ✓ Adoption of Independent Regulator Law DONE
- ✓ Daily balancing (BAL Code) IN PROGRESS
- ✓ Improved interconnectivity:
 - ✓ New interconnection points for gas flow to Ukraine (PL, SK, HU) DONE
 - ✓ Implementation of INT Code at the existing points (PL, SK, HU, RO) BLOCKED BY GAZPROM
 - ✓ Unbundling of the TSO IN PROGRESS

2. MAIN PRINCIPLES OF DAILY BALANCING



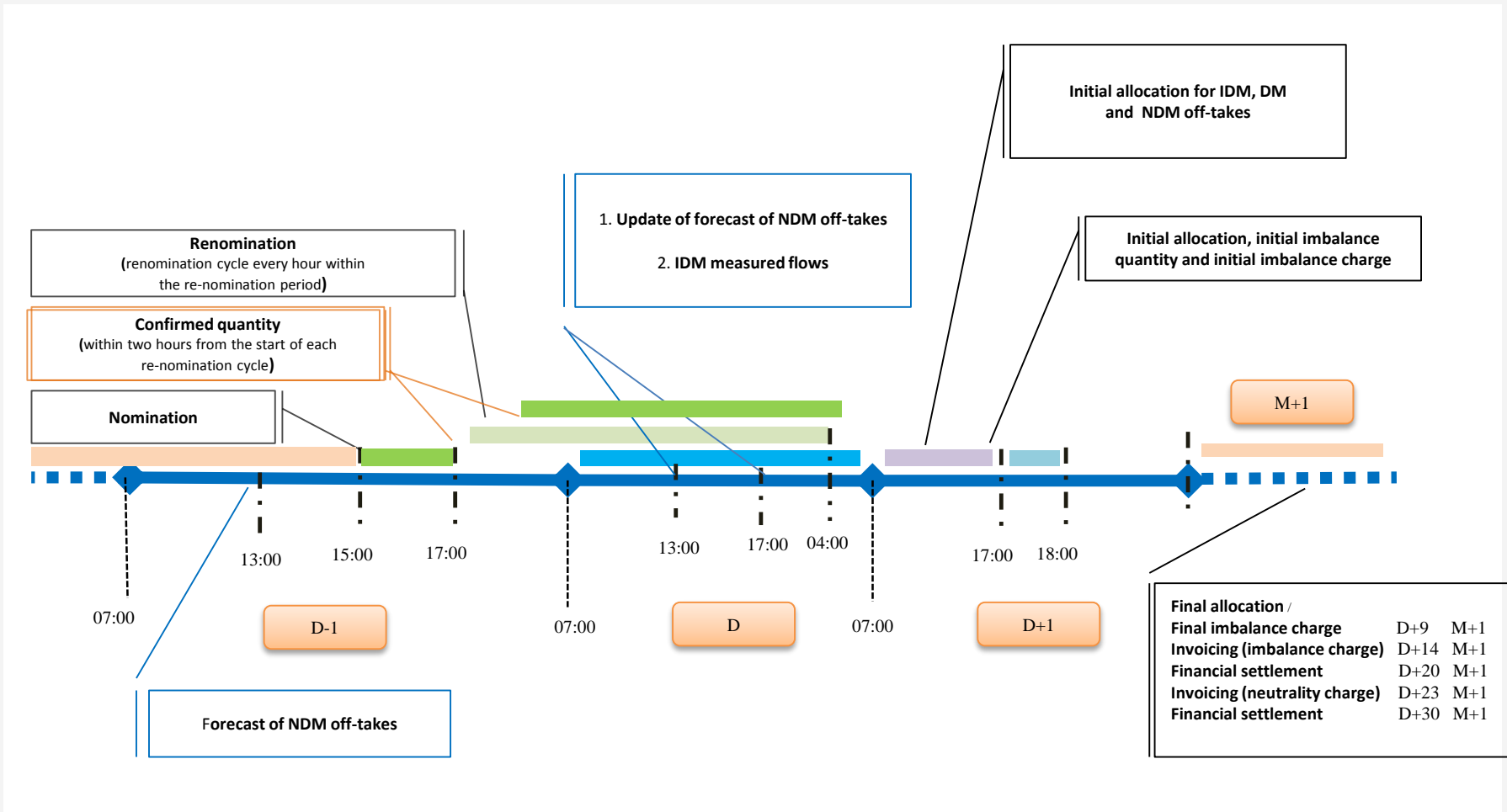
- Balancing zone: single zone for Ukraine that comprises national GTS and all DSO systems
- Balancing period: gas day as provided by NC BAL
- The Network User is a holder of the balancing portfolio and is the 'balance responsible party' (holds responsibilities towards UTG for any imbalance of the balancing portfolio)
- Any input into and any off-take from the balancing zone needs to be allocated into a 'balancing portfolio'
- Daily balancing with full cash-out and application of tolerances for penalties
- No within-day obligations
- No mandatory balanced nominations and self-balancing after the end of the day
- No end-consumer nominations but Supply register
- Information provision model: base case
- DSOs as forecasting parties

3. BALANCING PORTFOLIO



	Input	Off-take
VTP	Input at VTP	Off-take at VTP
IP	Input at IP	Off-take at IP
Stor.	Input at storage	Off-take at storage
Prod.	Input from production	—
IDM	—	Off-take from IDM
NDM	—	Off-take from NDM
Balancing Portfolio Imbalance = Inputs – Off-takes		

4. NOMINATION, RENOMINATION, ALLOCATION: TIME FRAMES



5. SUPPLY REGISTER



SUPPLY REGISTER is the centralized information exchange system that contains data of effective Points of Delivery (all end-consumers EIC's) and provides to Network User metering point information, profiles and forecasts.

Functions:

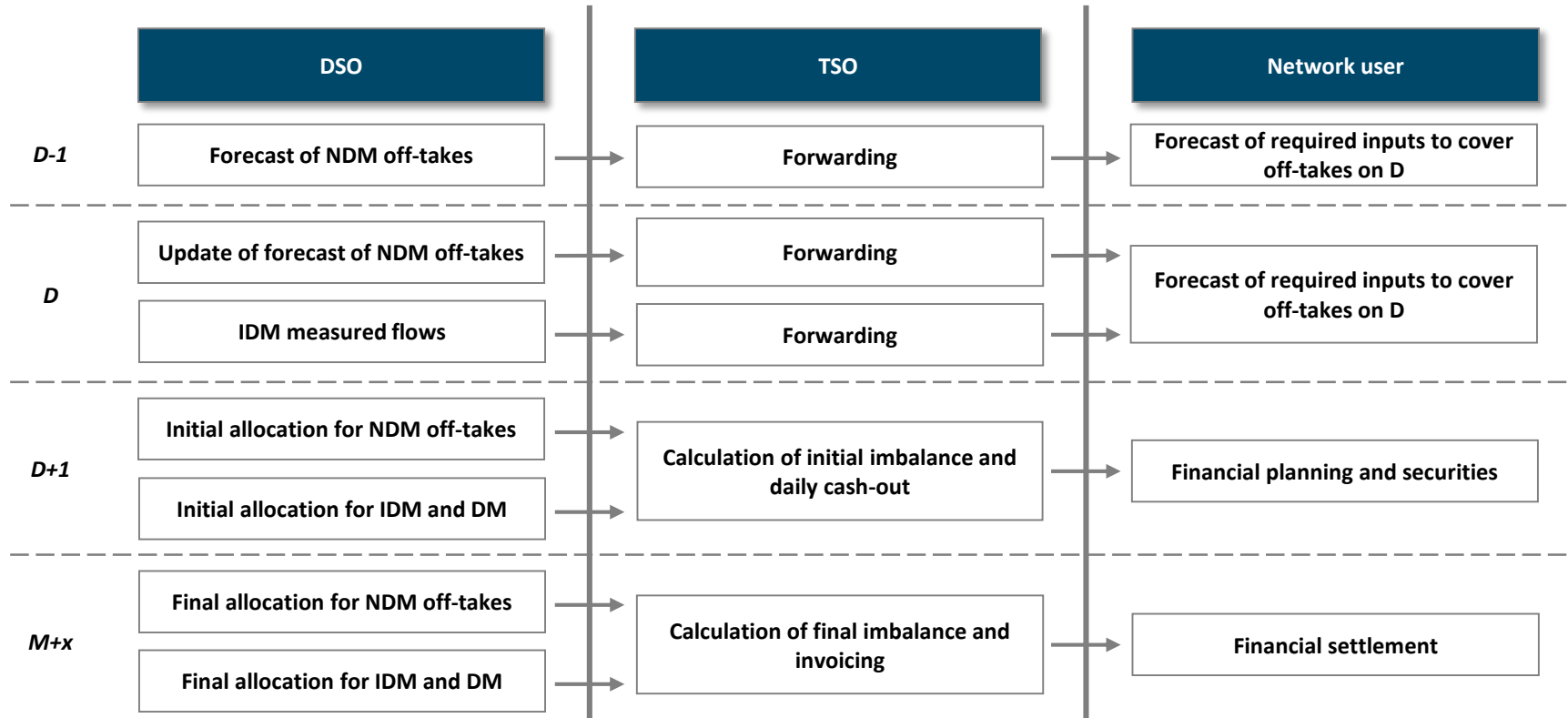
- metering data collection and reporting;
- profiling;
- forecasting;
- support of supplier switching;
- determination of the non-supplied end-consumer to be disconnected.

Main aim – to provide transparent data access to Network User.

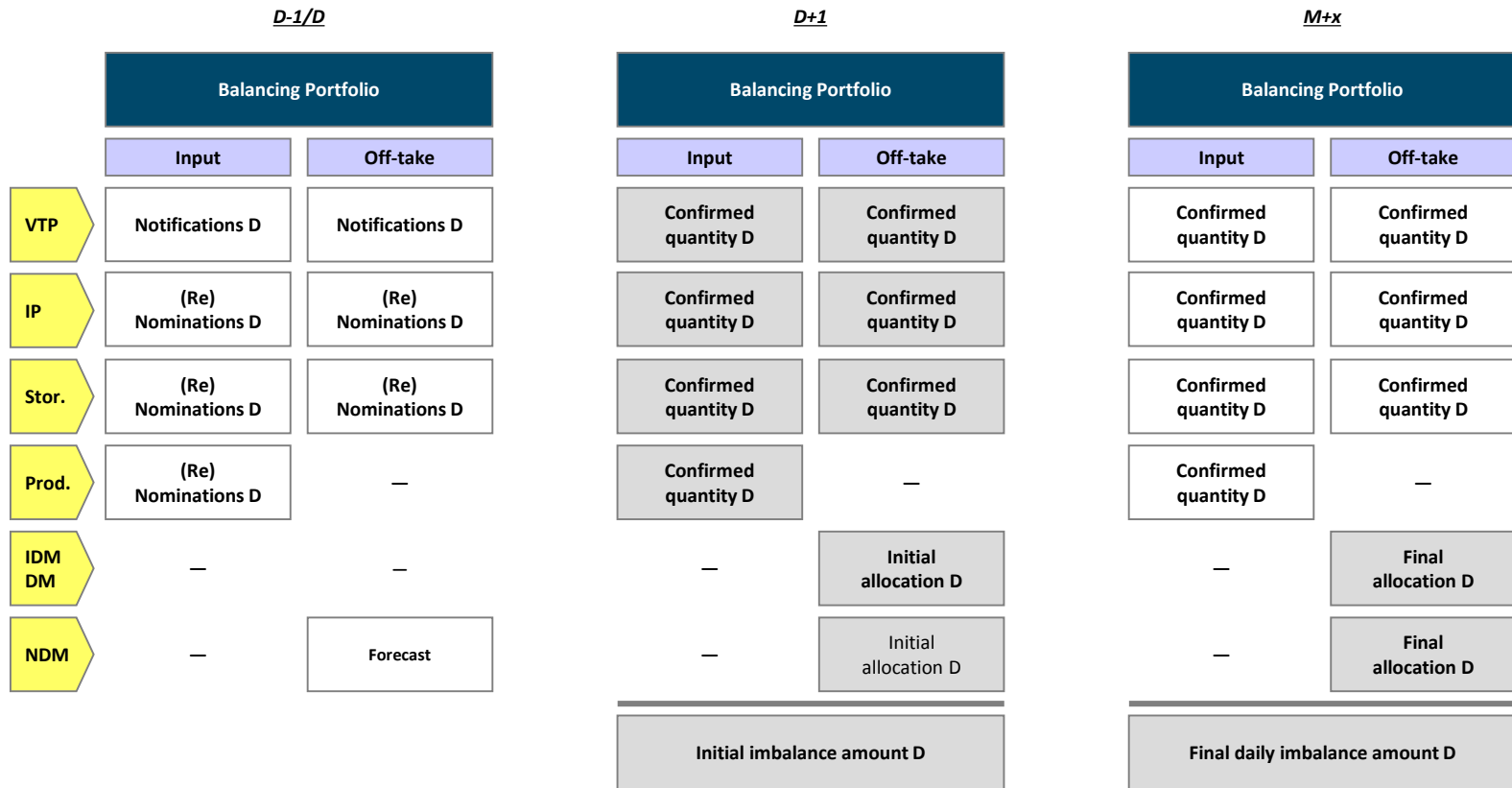
SUPPLY REGISTER speeds up, simplifies and clears complex market processes like supplier switching or preparing settlement.

No end-consumer nominations but aggregated nomination for exit points to gas distribution systems.

6. INFORMATION PROVISION MODEL



7. ALLOCATIONS TO BALANCING PORTFOLIO



Remark: for simplicity trade notifications are also referred to as (re-)nominations

8. IMBALANCE QUANTITY, IMBALANCE CHARGE, APPLICABLE PRICE



Daily Imbalance Quantity

Daily Imbalance Quantity shall be calculated as the difference between its Inputs to and Offtakes for each Gas Day:

- Inputs = Entry Allocations + VTP Buy Allocations
- Offtakes = Exit Allocations + VTP Sell Allocations

Daily Imbalance Charge

Daily Imbalance Charge shall be calculated by the TSO for each Network User for each Gas Day:

- Daily Imbalance Charge = Negative Daily Imbalance Quantity x Marginal Buy Price, or
- Daily Imbalance Charge = Positive Daily Imbalance Quantity x Marginal Sell Price.

Marginal Buy Price and a Marginal Sell Price

Marginal Sell Price is calculated as the lower of:

- the lowest price of any gas balancing trade to which the TSO is a party in respect of a balancing period, or
- the weighted average price of gas traded in respect of that day, minus Small Adjustment .

Marginal Buy Price is calculated as the higher of:

- the highest price of any gas balancing trade to which the TSO is a party in respect of a balancing period, or
- the weighted average price of gas traded in respect of that day, plus Small Adjustment.

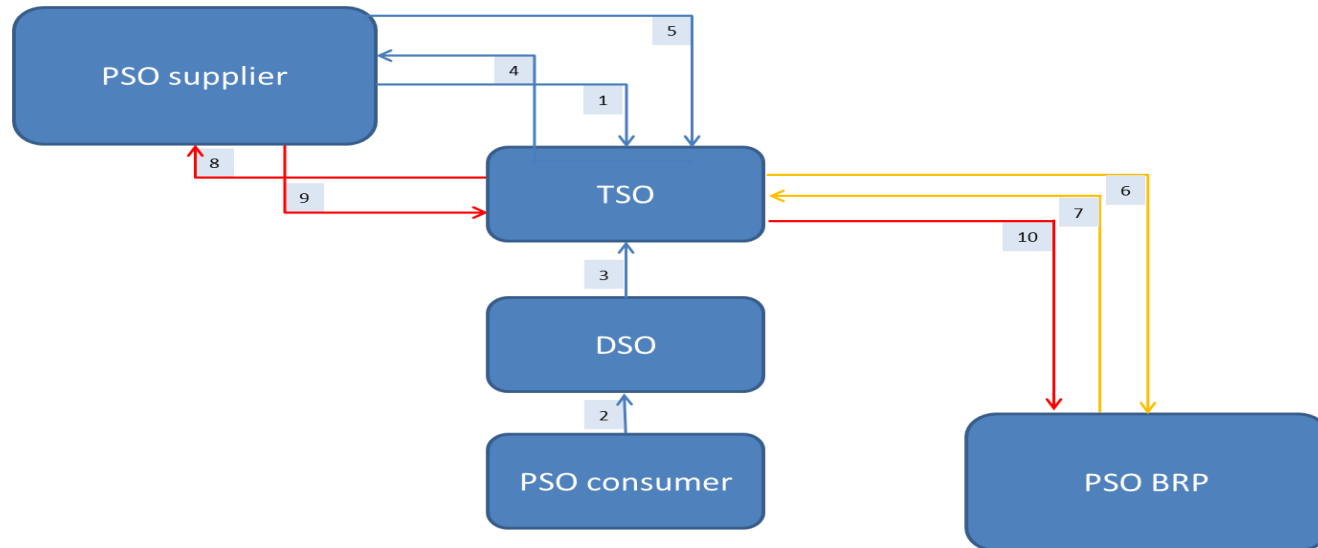
Small Adjustment shall be equal to 10% for determination of applicable Marginal Sell Price or Marginal Buy Price.

Tolerance Limit is calculated for each Gas Day and equals 5% of Offtakes.

Daily Imbalance Charge shall not include Small Adjustment if Daily Imbalance Quantity does not exceeds Tolerance Limit.



9. DAILY BALANCING REGIME WITHIN THE PSO' FRAMEWORK



- | | | | |
|----|---|------|-----|
| 1 | PSO supplier's nomination | D-1 | M |
| 2 | Consumer's consumption report | D+3 | M+1 |
| 3 | DSO transfers consumption data to TSO | D+8 | M+1 |
| 4 | Allocation | D+9 | M+1 |
| 5 | PSO supplier imbalance report (in case of supplying gas to PSO consumers with different fixed prices) | D+12 | M+1 |
| 6 | TSO request to the PSO balance responsible party to sell/buy gas at the fixed price | D+13 | M+1 |
| 7 | PSO balance responsible party to sell/buy gas to/from TSO | D+13 | M+1 |
| 8 | Invoicing for gas and for the daily imbalance charge within PSO framework | D+14 | M+1 |
| 9 | Payment for gas within the PSO framework | D+20 | M+1 |
| 10 | Payment for the daily imbalance charge within the PSO framework | D+21 | M+1 |

10. NEUTRALITY MECHANISM



Cash inflow	Cash outflow	
Selling of gas on balancing platform	Purchase of gas on balancing platform	Commodity prices of gas bought/sold on balancing platform
Selling of imbalance quantities beyond tolerance	Purchase of imbalance quantities beyond tolerance	Settlement of quantities which exceed tolerance level based on marginal prices and penalty
Selling of imbalance quantities within tolerance	Purchase of imbalance quantities within tolerance	Settlement of quantities within tolerance level with 'neutral gas price' to achieve full daily cash-out
Interest gains	Interest payments	Interest paid/received for account balance
Neutrality charge	Other costs of balancing	Transaction fees, financing costs, compensation of payment defaults and income neutrality charge
	Liquidity reserve	Cash reserve to compensate for plan-actual deviations, payment delays, etc. and to ensure sufficient account balance
Neutrality account balance		



Thank you for your attention!

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ADDITIONAL SLIDES



1. INFORMATION PROVISION MODEL

1.1. DAILY BALANCING CYCLE: M-x

1.2. DAILY BALANCING CYCLE: D-1

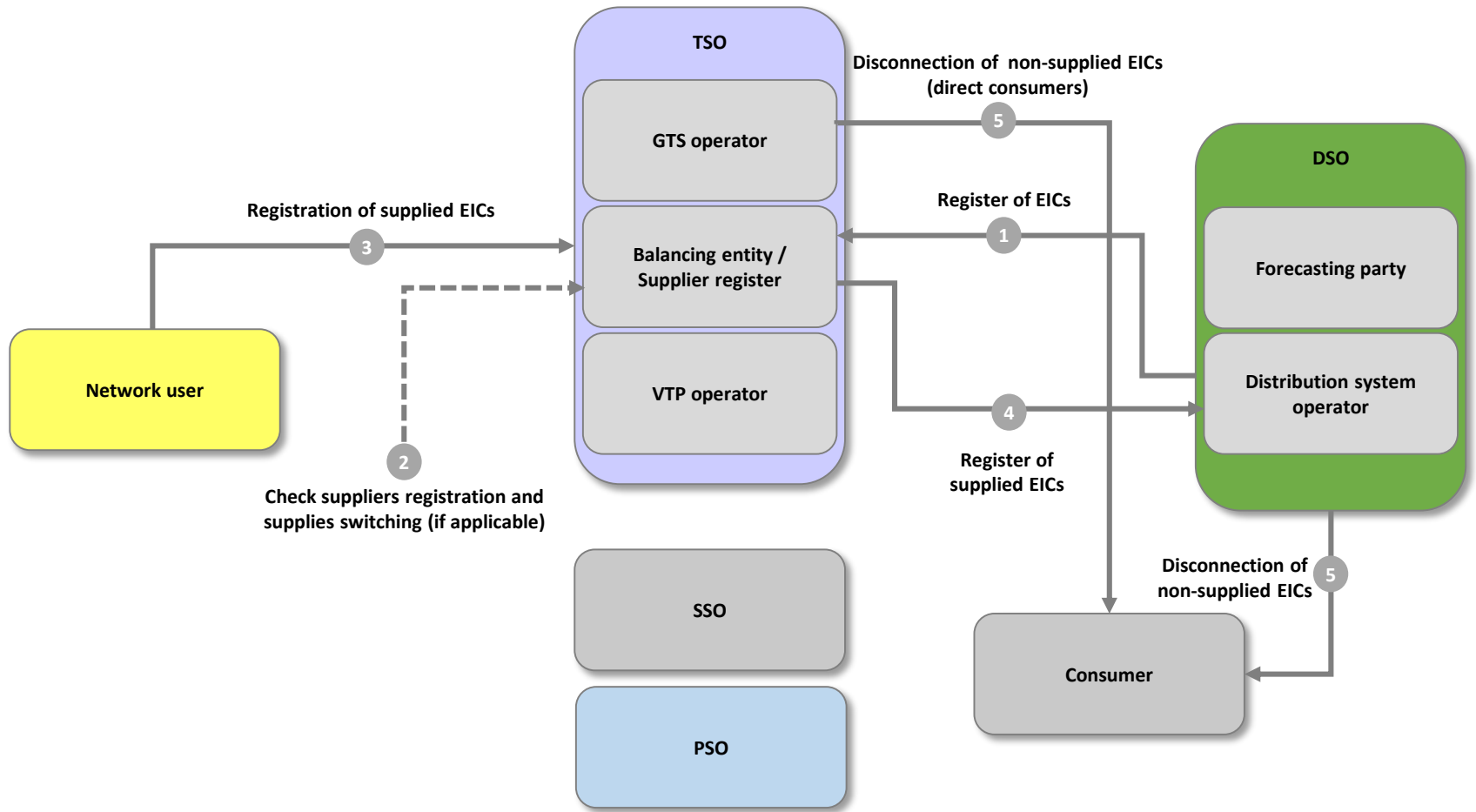
1.3. DAILY BALANCING CYCLE: D

1.4. DAILY BALANCING CYCLE: D+1

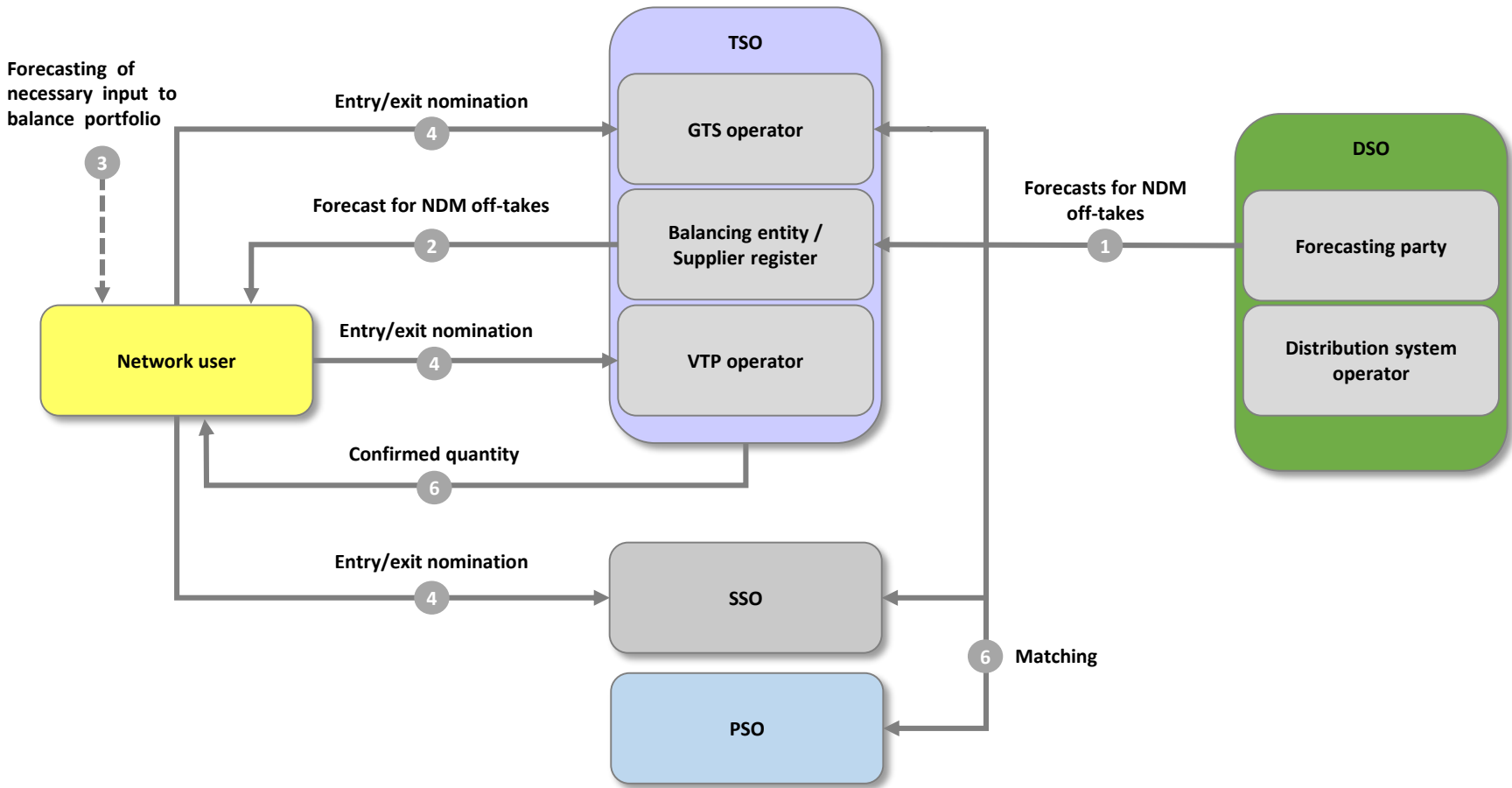
1.5. DAILY BALANCING CYCLE: M+x

2. SUPPLIER SWITCHING PROCESS

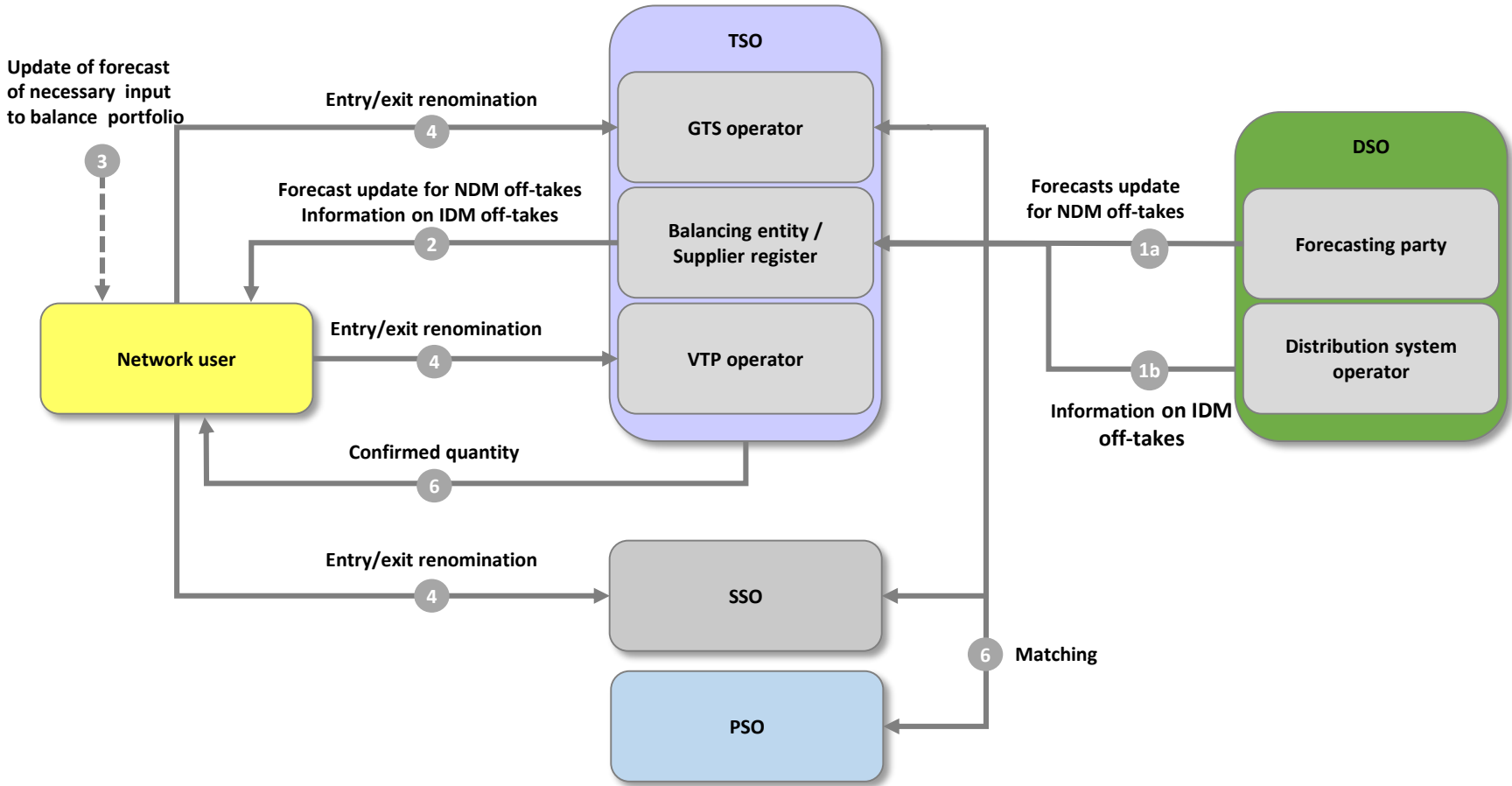
1.1. DAILY BALANCING CYCLE: M-x



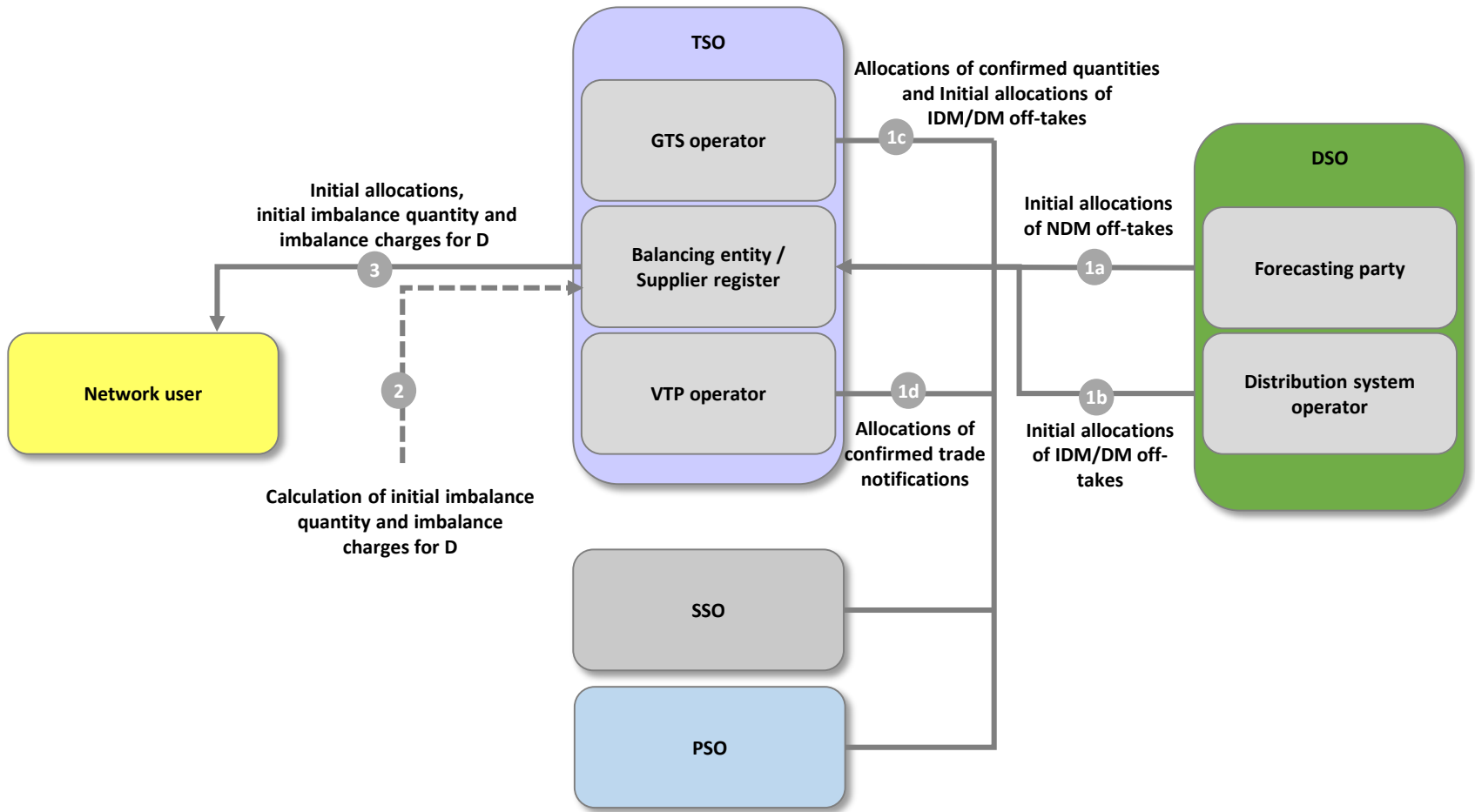
1.2. DAILY BALANCING CYCLE: D-1



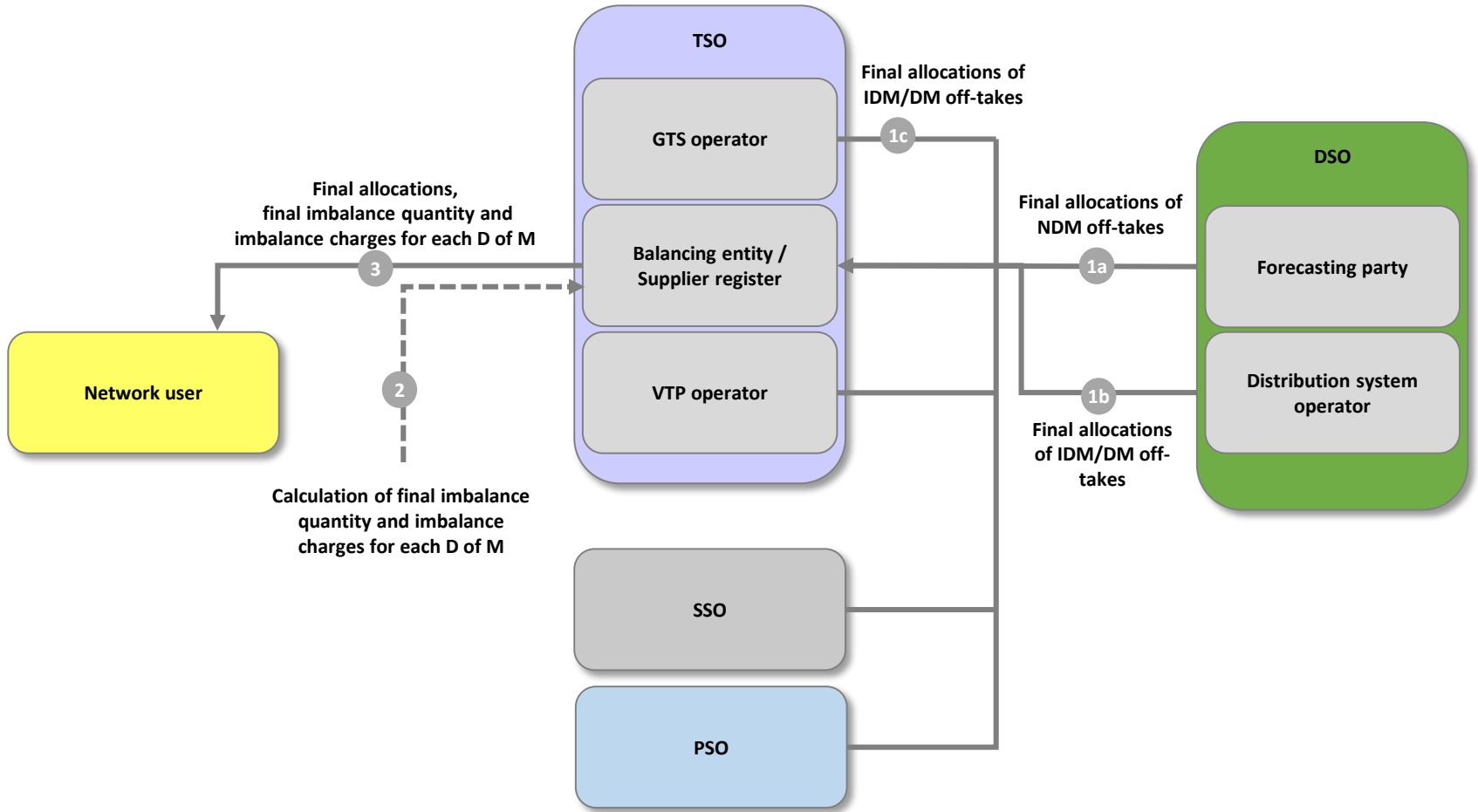
1.3. DAILY BALANCING CYCLE: D



1.4. DAILY BALANCING CYCLE: D+1



1.5. DAILY BALANCING CYCLE: M+x



2. SUPPLIER SWITCHING PROCESS

