



***Gas Transmission Balancing
Practices in the Energy Community
-survey results***

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Background and scope

- *Implementation of Gas Network Codes in the Energy Community*
 - *to launch discussions on BAL NC in Q4 2018/Q1 2019*

- *ECRB Work Program 2018 includes Analytical paper on the implementation of BAL NC in the EnC CPs:*
 - *to review the currently implemented practices in transmission balancing and*
 - *to provide recommendations towards BAL NC implementation*

- *Responses received:*
 - *EnC CPs with gas: BIH (RS), FYR of Macedonia, Georgia, Moldova, Serbia and Ukraine*
 - *EU MSs: Croatia and Poland*

- *The information shown in this presentation is preliminary, it is based on the draft working paper and can be amended*

Balancing rules prerequisites

	Responsibility of network users	Balancing period	Information provision	Gas market operator**	Balancing zones	Balancing groups
BIH	yes	day and month	Yes, free of charge	no	2	No
FYR of Macedonia	yes	month	Yes, free of charge	no	1	no
Georgia	yes	month	no	no	1	no
Serbia	yes	day	no	no	1	no
Ukraine	yes	day*	Yes in daily, no in monthly	no	1	Yes in daily, no in monthly
Croatia	yes	day	Yes, free of charge	Yes	1	Yes, compulsory
Poland	Yes	day	Yes, free of charge	no	3	Yes, not compulsory

• Since August 2018 the new amendments to the Transmission network code on introduction of daily balancing mechanism have come into force. But due to some obstacles this reform is pending and monthly balancing is applied. It is expected to introduce the daily balancing mechanism at the end of 2018

** The answer “no” means that the function of market operator is fulfilled by the TSO

Balancing mechanism tools

Country	Balancing mechanism tools available to	
	TSO	Network users
Poland	Trading platform	Trading platform
	Balancing services	
	Balancing platform in specific cases	
Croatia	Trading platform	Trading platform
	Balancing services	Bilateral trade between network users not via the trading platform Storages
Serbia	Balancing services are foreseen by the legislation but not applied in practice	Bilateral trade between network users not via a trading platform
	Gas purchase contract concluded with the TSO	
Bosnia and Hercegovina	Gas purchase contract concluded with the TSO	Bilateral trade between network users not via a trading platform
Georgia	Gas purchase contract	Bilateral trade between network users not via a trading platform
		Linepack (possibility for network users to store gas in the transmission system)
Ukraine	Trading platform, balancing services (daily bal)	Trading platform
	Gas purchase contract concluded with the TSO for negative imbalances	Bilateral trade between network users not via a trading platform
	Storages for positive imbalances	Storages

- *Unlike the practice in Poland and Croatia the nomination (re-nomination) cycle and units in the EnC CPs do not correspond to the BAL NC requirements.*
- *Nominations (re-nominations) are required to be submitted at all entry/exit points in all countries which participated in the survey except FYR of Macedonia (only IPs) and Poland (there are no nominations (re-nominations) at the DSO entry/exit points)*
- *The BAL NC requirements to information provision are not met in the EnC CPs and there is no appointed forecasting party. The daily balancing regime cannot be reasonably implemented without providing the TSO with the data on non daily metered off-takes and giving system users information on their imbalance status in timely and user-friendly manner*
- *In Poland the DSO was appointed as the forecasting party by the NRA decision in 2016. In Croatia the TSO has been assigned the responsibility of the forecasting party since April, 2017.*

Imbalance charges and tolerance levels

Country	How is an applicable price defined?	What is the level of small adjustment applied for an applicable price calculation?	What is the tolerance level?
Croatia	It is based on the marginal sell and buy price (in the meaning of art. 22).	If the weighted average price (WAP) is used for the applicable price calculation, the adjustment will be 10%	0
Poland	In the High methane balancing zone it is based on the marginal sell and buy price (in the meaning of art. 22). In the Low methane balancing zone and TGPS it is set on the basis of interim measures BAL NC regulation.	In the High methane balancing zone. If the weighted average price (WAP) is used for the applicable price calculation, the adjustment will be 10%	2,5%
Ukraine	In daily balancing regime it is based on the marginal sell and buy price (in the meaning of art. 22). For negative imbalance. The TSO's costs incurred during the process of gas procurement for physical balancing purposes plus other costs needed for transmission and storage of this gas divided by gas volume procured plus the adjustment. There is no charge for positive imbalance (in monthly balancing regime)	If the weighted average price (WAP) is used for the applicable price calculation, the adjustment will be 10% (in daily balancing regime) 20% for negative imbalance, NAP for positive imbalance (in monthly balancing regime)	10% (in daily balancing regime) 5%, NAP for positive imbalance (in monthly balancing regime)
Serbia	It is determined as actual weighted average price of balancing gas on stocks plus or minus the adjustment	In case an imbalance is < 10%, for the second level of imbalance: the adjustment is 5% in summer period or 10% in winter period, and for the third level of imbalance: it is 20% in summer period or 30% in winter period. In case an imbalance \geq 10%, then for the second level of imbalance: it is 20% in summer period or 30% in winter period, and for the third level of imbalance: it is 30% in summer period or 50% in winter period.	10%, but only for the first level of imbalance
Bosnia and Hercegovina	Administered (regulated) price since March 2018 plus or minus the adjustment	If an imbalance is > 2% < 10%, the adjustment is 10%. If an imbalance is > 10%, the adjustment is 20%	2%

Publication of marginal/reference prices

Country	Link to publication
Croatia	http://www.hrote.hr/balancing-energy-191
Poland	http://en.gaz-system.pl/strefa-klienta/taryfa/bilansowanie/ce-ny-do-rozliczenia-niezbilansowania/ https://gaz.tge.pl/en/rdn/gas/index/index/
Ukraine*	http://utg.ua/en/utg/business-info/tariffs.html

- In Ukraine the average imbalance charge applied in 2017 was 26.88 EUR/MWh (for negative imbalance, it is not applied for positive)
- In Poland – 18.01 EUR/MWh for positive imbalance and 19,22 EUR/MWh for negative.
- In Croatia – 20.7 EUR/MWh (in average for both positive and negative imbalances).

* the evolution of applicable price (without taking into account the adjustment of 20% which is applied in case the quantity of imbalance is more than 5%) for each month is given in the table. The marginal buy/sell price is not used for the purpose of an applicable price calculation

- *Principle of TSO neutrality established in Croatia, Poland and Serbia. In Ukraine it is foreseen in daily balancing mechanism*
- *Financial security safeguards provided in all analyzed markets, except in BIH and Georgia:*
 - *FYR of Macedonia: advance payment every 15 days*
 - *Serbia, Poland and Croatia: bank guarantees or deposits*
 - *Ukraine: bank guarantee/ advance payment*

Main obstacles for BAL NC implementation

- *no obstacles for Croatia*
- *Poland*
 - *lack of interconnection points on the borders with other countries in one balancing zone (low methane), high costs of merging balancing zones, lack of liquidity on the Polish gas market, low level of accurate information for shippers;*
- *Serbia*
 - *Lack of practice in regulating balancing rules*
- *Georgia*
 - *Absence of organized liquid market, isolation of the market, non-compliance with EU regulations and directives, low level of market participants awareness*
- *Ukraine*
 - *BAL NC implementation requires special amendments in the law (“On public procurement”), according to which the TSO (state-owned company) is to procure any goods/services via a tender procedure, while BAL NC provides for the right for the TSO to procure gas at a trading/balancing platform to fulfill transmission system operator balancing. The development of the special IT system for the TSO to process nominations and provide allocations is still under way.*

- *The current state of BAL NC implementation in the EnC CPs is at a low level. There is a lack of practice in regulating balancing process in gas transmission systems, in some of the EnC CPs (Georgia, Moldova) balancing issues are the subject of supply contracts*
- *Ukraine made some efforts to switch to the daily balancing mechanism which is to be compliant with BAL NC requirements, but aforementioned problems have not been solved yet. Nevertheless all secondary legislation necessary for BAL NC implementation has already been adopted by the NRA*
- *Lack of gas market liquidity and gas infrastructure may prevent EnC CPs from setting up liquid trading platforms at least at the first stage of BAL NC implementation. The experience of EU countries in using the balancing platforms will be useful*
- *The realistic deadlines for full BAL NC implementation are not less than 3 years*

The background is a dark blue globe with a grid of latitude and longitude lines. Overlaid on the globe are numerous glowing blue lines and circular nodes, representing a network or energy grid. The lines are bright and have a slight glow, connecting various points across the globe.

*Thank you
for your attention!*

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