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Framework Guidelines on Gas Balancing in Transmission Systems

The Gas Forum was established in 1994, acting as a body that represents the views of gas shippers and suppliers active in the GB market. The Forum's membership consists of virtually every significant GB gas shipper and gas supplier.

The Gas Forum is supportive of the development of Network Codes (NC) that provide a coherent set of rules including a common vision of gas balancing arrangements amongst EU member states. The creation of a level playing field throughout Europe, including cross-borders, is a laudable objective which should be central to energy policy initiatives. The Gas Forum is a body which champions competition and believes that it can only be sustained if market rules are fair, transparent and consistent across integrated markets.

The Gas Forum welcomes the opportunity to comment on the draft Framework Guidelines on Gas Balancing in Transmission Systems. The Gas Forum believes it is vital for market-based and transparent rules to be established and maintained in accordance with the objective to facilitate competition and market integration. It is essential that, in moving forward, the mechanics of the balancing arrangements¹ are progressed through a process of stakeholder consultation to ensure that the final rules uphold the core objectives.

It is the belief of the Gas Forum that the cornerstone to competition is information provision and we welcome the initiatives to require TSOs to publish relevant operational and physical data. It is clear that new entrants will be at a distinct disadvantage to established players in the area of balancing, for a number of reasons, including:

- Participants with larger customer bases will benefit from “portfolio effects” – aggregate demand will tend to be less variable when spread across a greater population of offtakes; and
- Established participants will have greater access to both historical demand information and trends in system operation, such as weather variability, physical “pinch points” and TSO operational activities.

¹ This includes the detailed implementation of the Framework Guidelines e.g. imbalance pricing methodologies, information provision and determination of balancing zones etc...

Clearly, the dissemination of relevant and timely information will assist new entrants in assessing individual/aggregate demand and the physical status of the system – allowing for proactive management of individual portfolios and better-informed engagement within wholesale markets, and where relevant, balancing markets. The Gas Forum welcomes the proposals contained in part 6 of the guidelines and hope that TSOs will look to build on these base services to encourage greater liquidity in wholesale markets.

The Gas Forum fully supports the assertion that TSOs should only perform a residual role when balancing the system. The non-market based procurement of balancing services in some systems reduces market liquidity, compromises transparency and limits the opportunity for setting market reflective imbalance charges. Where long term contracts for the procurement of flexible gas are already secured by TSOs the Gas Forum agrees that the volumes should be reduced over time and any excesses should be released to the market at market prices in a timely manner. The long term aim should be that the TSOs procure balancing services in the short term wholesale gas markets, noting that this does not preclude them for contracting for longer term services to guarantee system integrity.

The Gas Forum recommends that if the TSOs are to play a critical role in providing “balancer of the last resort” services, which in turn generate imbalance charges, then suitable incentives must be imposed on the TSOs. The incentive mechanisms must be designed to ensure that the TSOs act in manner which is cost efficient and market focused. Given participants will be financially incentivised to manage their portfolios it must be accepted that TSOs should also be subject to commercial drivers which compliment the principles underpinning the balancing mechanisms.

As a consequence of each European member state being at a different stage of development with regards to its gas structures and networks, the Gas Forum believe it is a sensible approach to permit TSOs to comply within 12 months of the NC being adopted. We support obligations being placed on TSOs to report yearly to ACER and NRAs on progress and to provide roadmaps towards implementation. We assume that the information provided to the regulatory bodies will be made publicly available.

The Gas Forum looks forward to playing an active role in the development of gas balancing in transmission systems across the EU member states and would be happy to clarify any of the points raised in this response.

Steve Gordon
Chairman

If you require further information then please contact Nick Wye
nick@waterswye.co.uk