

The logo for ACER (Agency for the Cooperation of Energy Regulators) is displayed in the top left corner. It features the acronym 'ACER' in a large, blue, serif font. Below the acronym is the full name of the agency, 'Agency for the Cooperation of Energy Regulators', in a smaller, blue, sans-serif font. To the left of the text is the European Union flag, a circle of twelve gold stars on a blue background.

**ACER**

Agency for the Cooperation  
of Energy Regulators

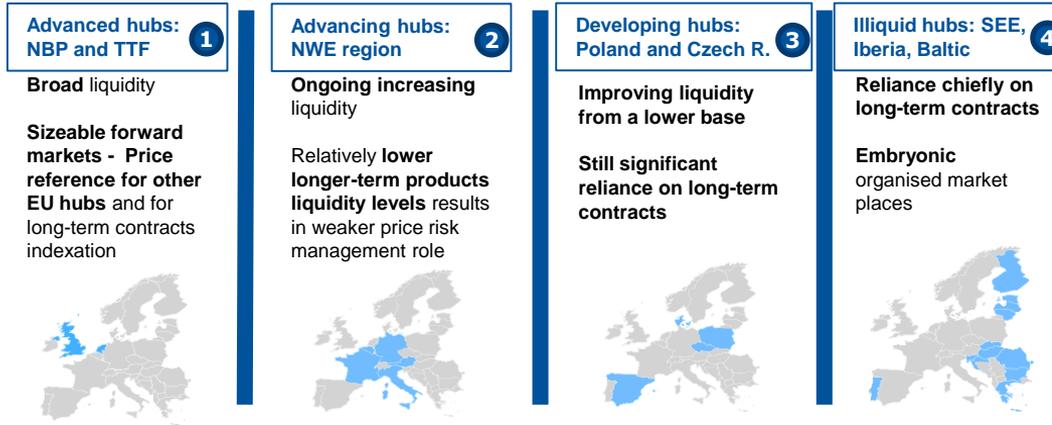
The background of the slide is a photograph of a town with red-tiled roofs and several churches with domes and spires. In the background, a large hill is covered in green trees, and a large, light-colored building with a tower is situated on the peak of the hill under a clear blue sky with a few clouds.

# **BALANCING NETWORK CODE IMPLEMENTATION**

**ACER, GAS DEPARTMENT**

## EU market development and code implementation

### A non-exhaustive ranking of EU hubs by level of development (2016)



### Integration of EU codes into the national legislation (non-exhaustive ranking )

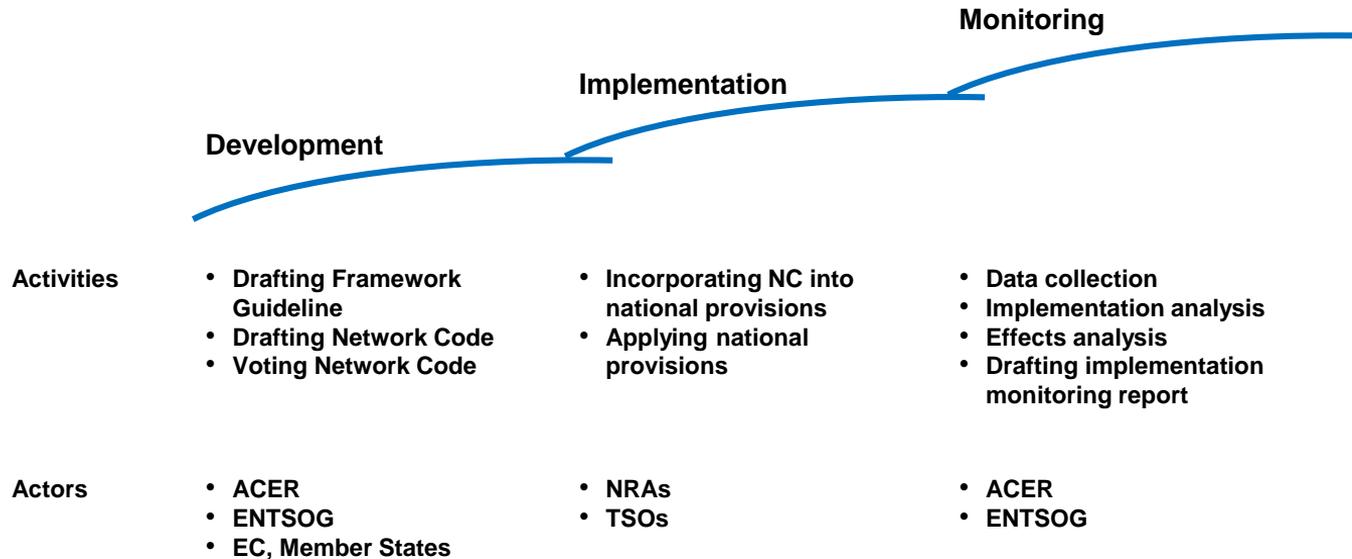
Integration of the codes at a good speed, with occasional small delays

Good integration and understanding of the codes. Optionality provided in codes applied. IT more delays than others in the group.

Appropriate implementations, in some cases deviations, but a good track record on timing

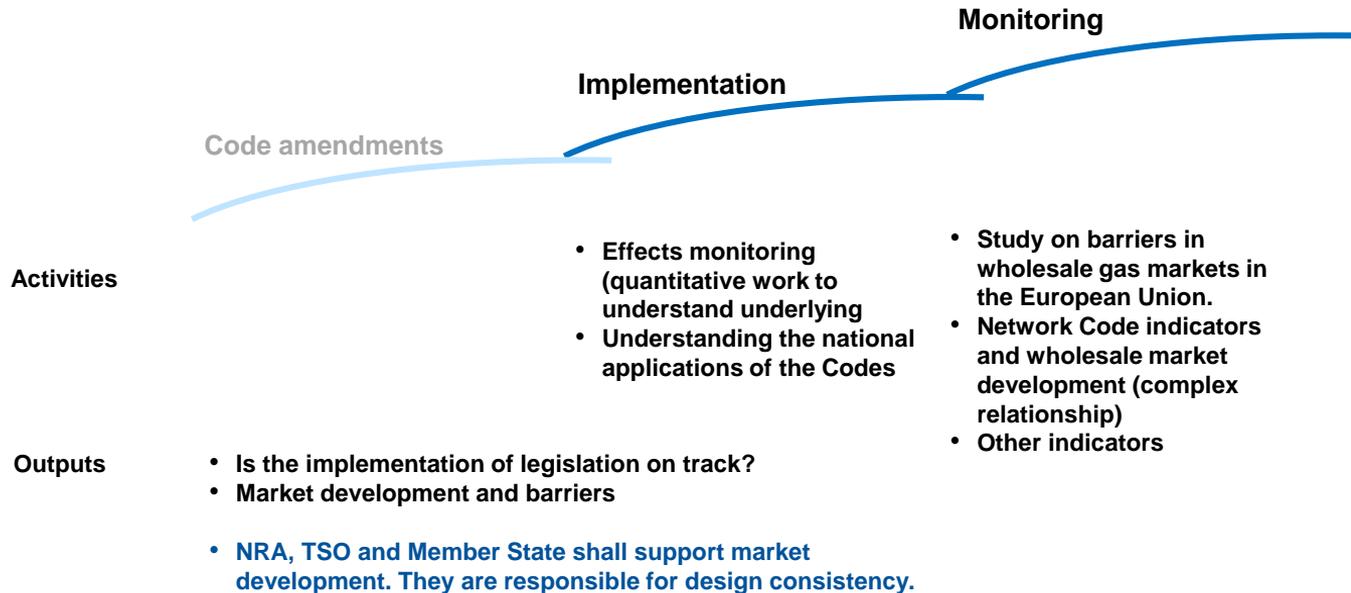
1. Small markets where implementation could be challenging.  
2. Markets with various implementation track record.  
3. Most serious delays in this group (see later).

## Wholesale market and code development



## Wholesale market development and code implementation

Complex interactions to be unveiled step by step



- Aspirations from 2014
  - Balancing Code offers a path to the creation of a liquid balancing market by:
    - imposing on TSOs the creation of a trading place;
    - Imposing on the TSO to provide information to their customers to allow them to trade;
    - By incentivising rather than obliging network users to track their customers' daily inputs and offtakes and take full daily balancing responsibility.
  - Local reality of gas network operation may mean that some constraints may be necessary -> ..., which the Code allows.
  - The Code assumes that prerequisites for market development are in place.

- Design choices and combinations
  - Several implementation timelines: 2015, 2016, 2019
  - Frontrunners: BE, DE, DK, FR-Nord, NL, UK, PL (national network!)
  - Interims: delays or slow progress while transitioning into a market based balancing regime.
  - BG, RO, EL significantly behind -> Transparency and facilitation of the market is slow (concerns daily products and platforms)
  - Design choices and possible combinations contributes to variety of regimes, which resemble but also differ.
- Agency reporting in 2016 based on a qualitative assessment tool...
  - Standard methodology;
  - The tool was consistently applied to each national balancing regime;
  - Interim measures countries with extended criteria concerning the quality of interim measures.

- Efforts must be pursued across the EU...

**Cluster of 2015: WDO debate**

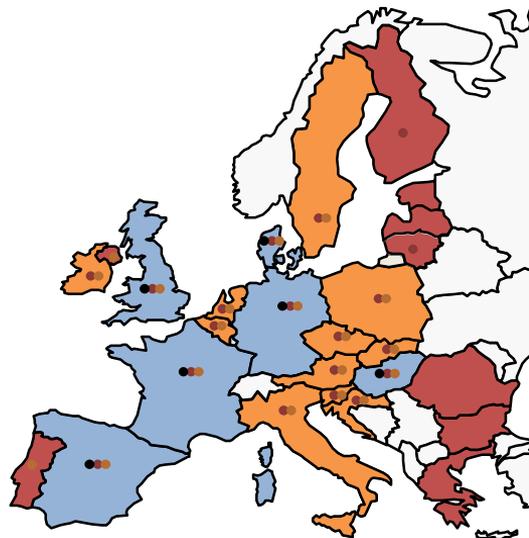
85-100%	UK_GB	FR	DK	BELUX
70-85%	DE	NL	SI	HU
50-70%	AT			
under 50%				

**Cluster of 2016: Information provision**

85-100%				
70-85%	ES	CZ		
50-70%	IT	HR	PT	
under 50%				

**Cluster of 2019: Implementation plans & platforms**

85-100%	PL						
70-85%	SK	LT					
50-70%	IE	Ni	SE	EL	RO	BG	
under 50%							



- Country offering all market enabling features
- Country offering 2 market enabling features
- Country offering 1 or no market enabling feature
- Information to support market development
- Access to flexible gas
- Access to network flexibility

- **Access to network flexibility: enable the network user to deploy physical flexibility to manage its commercial exposures and opportunities**
  - A VTP transactions only by Trade Notifications. The resulting gas trade will influence the imbalance position of both counterparties.
  - Re-nominate gas flows at interconnection points subject to a two hour lead-time.
  - TSO to adjust flows other than in exceptional circumstances, when rejection of a renomination is allowed subject to being reported to the NRA.
- **Access to gas flexibility:**
  - Access to physical gas flexibility (including LNG and storage facilities) or
  - trading arrangements:
    - Trade notifications to be independent of (re)nominations of gas, associated with physical flows on the network and with a network user's imbalance position.
    - Platforms and platform flexibility.
  - The Code does not directly impact the contractual arrangements between network users and LNG or storage service providers.

- Information provision: three models provided by the Code to provide:
  - Optionality to reflect metering data availability;
  - IT processing capability of the various systems and
  - whether network users use an ex-ante or an ex-post assessment of daily demand for NDM supply points.
- General requirements of the Code and beyond:
  - information relating to overall network status and TSO balancing actions, (balancing quantities, losses/ revenues and usage of the merit order levels);
  - portfolio information (to indicate either actual demand or expected demands);
  - The Code is not always specific about what should be provided, or when: national implementation has flexibility.
- BUT
  - NRAs shall evaluate the options provided by the Code and
  - Within the local conditions deliver the best possible outcome for network users and consumers.

- ...does not seem to depend on market size or market maturity, but on
  - How consciously the flexibilities offered by the Code were followed through to reflect the needs of the network and user environment:
    - If justified for example, more frequent information was provided to network users to “read and interpret” information.
    - Is the regime focused on “avoidance of imbalances”, which impacts then merit order and product usage.
    - How “strongly” causers of imbalances are penalised and whether penalty is embedded in the neutrality charges.
  - In case of interim measures, whether the Interim measures report laid out a concrete plan, which was followed up and implemented throughout the years (PL national).

### AT, CZ, HU, SK

#### AT

- Foundation elements delivered.
- Balancing rules limit the commercial freedom of network users to take speculative (imbalance) positions and may limit liquidity.
- NRA to integrate market area and distribution balancing into a single regime.

#### CZ

- Trading Platform was made available.
- Rules provide for a prioritisation of title product usage on the Trading Platform. There is less clarity about subsequent levels in the merit order.
- A relief mechanism plus an additional ex-post trading tool mitigates against the risk of daily imbalance cash-out.

#### HU

- The next step for improvement is to move to a single Trading Platform with user-friendly registration and settlement fees.
- The preliminary conclusions will have to be reassessed in this year.
- NRA monitor closely the implementation of effective neutrality provisions and transparency.

#### SK

- The Balancing Platform attracts limited attention.
- The detail of the interim imbalance charge calculation (including a small adjustment) are not known to us.

### BG, EL, RO, SI, PL

#### HR

- Trading Platform and the new market rules were recently adopted (April 2017).
- Most rules on information provision and neutrality were redrafted or revised.
- These changes constitute a major step in the operation of the regime and since introduced recently, their impact is not assessed yet.

#### SI

- Liquidity is developing.
- The extent to which the balancing provisions are followed by the TSO is sometimes difficult to evaluate.
- The Slovenian NRA to monitor closely the effects of implementation.

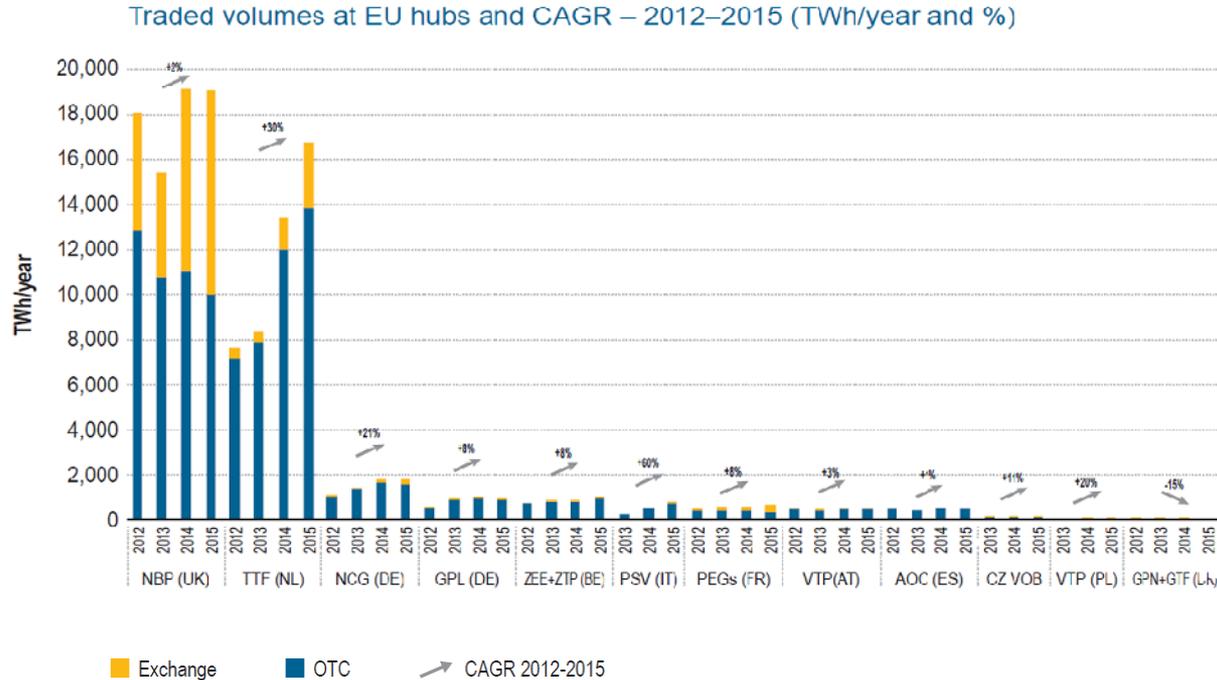
#### PL

- Poland has a clear plan for managing the removal of interim measures.
- Tolerances to be progressively reduced.
- The TSO should work with the Trading Platform operator to enhance product offering (inclusion of locational products) to enable the removal of the Balancing Platform.
- Reduce the rather large small adjustment of 10%

#### BG, EL, RO

- Functional VTP and Trade notifications to be enabled
- System status information or NDM portfolio demand forecast information to become available.
- Increase efforts and formulate a stepwise plan to implement the Code and make it operational.

## Hubs development as evaluated in the MMR of last year..



## The short term market development via the Balancing Code...

- Barriers beyond the Code may hamper short-market market development. Those barriers shall be identified and limited.
- Market enabling shall be followed through along the requirements of the Code. Market/ Balancing design choices shall be taken consciously.
- Countries behind to rely on the assistance and experiences of developed markets to create a consistent strategy for market development.
- One single implementation for several Codes may take place in some countries. The order of implementation steps shall be correctly designed. The implementation results shall be continuously monitored and improved where necessary.

**Thank you for your attention!**



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