

ACER - Draft for Consultation

**Framework Guidelines
on Gas Balancing
in Transmission Systems**

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Milan, 10 June 2011

Anigas, the **National Association of the Gas Industry**, represents all the companies, regardless of their constitution, that are engaged in any one or more of the following activities: storage, transportation, distribution, sale of natural gas on the consumer market, wholesale, trading and regasification of liquefied natural gas.

The association **was founded on May 9, 1946** as ANIG, and has, since then, been a member of Confindustria (Confederazione Generale dell'Industria Italiana). Since its inception, the main objective has been to protect and support the interests of member companies, conduct labor union activities, promote and foster understanding and create consensus on economic aspects.

Roughly **70** companies are represented within Anigas, which has a **workforce of 11,000** employees. Among the members are the largest industry players, as well as small and medium-sized companies, which together represent more than 60% of the Italian gas market.

Member companies distribute **over 50 billion cubic meters** of gas each year for public use, small crafts, commercial and industrial applications.

The same member companies that serve **10 million customers** throughout Italy, are present in **more than 4,000** municipalities both large and small, including several provincial capitals such as Rome, Naples, Turin, Florence, Taranto, Venice, Piacenza, Rimini and Avellino.

INTRODUCTION

Anigas submits its comments and clarification requests to the *Draft for Consultation "Framework Guidelines on Balancing in Gas Transmission Systems"* which the Agency for the Cooperation of Energy Regulators (ACER) is preparing pursuant to Article 6.2 of European Regulation No Gas 715/2009 and on the basis of a request from the European Commission.

These Framework Guidelines aim at setting out clear and objective principles for the development of a network code on gas balancing.

COMMENTS

- ✓ **Linepack – the storage of gas by compression in gas transmission and distribution systems**

As it is very difficult to measure and quantify the linepack in the distribution network, the provisions of these framework guidelines should be referred to the linepack of the transmission system. If otherwise envisaged, hoAnigasver, it is of utmost importance that the linepack can be calculated objectively and realistically.

- ✓ **The network code on gas balancing shall create EU wide rules on gas balancing.**

The balancing rules have a very close relation to the physical structure of the global gas system and the market history of each country.

The harmonization will request a reorganisation of the retail and wholesale market in every Member State and generate costs for the operators involved; therefore Anigas shares ACER position to achieve the target gradually and to accept interim steps; for instance, Anigas underlines that a gradual and prudent approach is important for the harmonization across countries of the balancing periods (see below).

The harmonization of balancing rules at EU level will facilitate trade and foster the integration of the EU gas market, particularly thanks to the achievement of more transparency in the market. Nevertheless the Framework Guidelines have to take into account the difficulties encountered by the DSOs in order to improve their informative flows to the market. In fact, DSOs frameworks in the EU are very different, in relation to the specific national rules they follow, climate conditions, load profiling methods, different % of domestic customers and gas supply portfolio (LNG, Pipeline).

- ✓ *The network code on gas balancing **shall not prevent TSOs from allocating linepack to network users** if approved by the relevant NRA. Where linepack is sold, TSOs shall allocate the linepack to network users as a commercial product*

See comment above on linepack definition. It seems that the TSO can sell the linepack including the linepack of the DSO. It is not clear, though, how the DSO linepack could be used for balancing the shipper positions. Moreover, it should be taken into account that in the Italian Regulatory framework the gas stored in the distribution networks is not owned by the DSO.

In general, Anigas underlines that the possibility to allocate linepack to network users must not generate any reductions in the quality of the service. In any case Anigas believes that, should the linepack be used directly by TSOs (as it usually happens), it is very important to clearly envisage that all the information on its utilization are published (linepack can have relevant effects on the market).

- ✓ ***Rules for the level of tolerances allocated to categories of network users** shall be approved by the relevant NRA and designed so as to not create discrimination, in particular against **network users with smaller gas portfolios**.*

The introduction of any tolerances in the interim period should avoid any discrimination among users according to their size.

Since the need to re-nominate and any final unbalancing are caused mainly by the low predictability of customers' consumption, the level of tolerances should be defined according to the categories of clients served. In fact, assuming the same level of information available, network users with bigger gas portfolios would incur imbalances as frequently as network users with smaller gas resources if they serve customers characterized by a fluctuating demand (e.g. industrial, CCGT). In any case, the Framework Guideline should specify, as a general principle, that any level of tolerances should be calculated referring to the last re-nomination of network users, since it better reflects the forecasted gas off-takes from their clients.

- ✓ *The network code on gas balancing shall provide that the balancing period for a transmission system is a standardised daily interval, at the end of which network users are cashed out for any deviations, as accumulated over the course of the preceding 24 hours, between their inputs into and off-takes from the system. **In the network code this standardisation shall be set out from 5:00 to 5:00 UTC/GMT or any other time period harmonized across the EU as decided in the network code on Capacity Allocation Mechanisms.***

The length of the transition period to implement a common EU daily balancing regime should take into account the specific circumstances at

national level and the costs/benefits of a possible change. In that regard Anigas believes that a prudent and gradual approach must be followed in the harmonization of the daily period across EU.

- ✓ *Where the TSO needs to take balancing actions during the day, the network code on gas balancing shall provide for the TSO to impose specific obligations relating to network users' inputs and off-takes during the gas day ("**within-day obligations**").*

Anigas would like to understand better what is meant with "within-day obligations".

In any case, any infra-day constraints seem a further burden and a barrier to the harmonization of the balancing system across Europe; indeed Anigas believes that no obligations shall be imposed on network users, apart from those required in emergency situations of the system. In our opinion, the most important task of the EU Network Code is the implementation and the reinforcement of the main principles at the basis of a uniform daily balancing regime at EU level.

- ✓ *If not covered by other legal obligations, the network code on gas balancing shall set out criteria for nomination and **renomination** procedures...*

Anigas needs to have better clarity of the intra-day possibilities of shippers.

- ✓ *The network code shall **require Distribution System Operators (DSOs) to cooperate with TSOs...***

As to the regulation of balancing of off-takes from the distribution networks, it should be envisaged that DSOs' needs and technical, national and regulatory frameworks should be adequately taken into account during the process.

- ✓ **Cross Border Cooperation**

Anigas signals that the lack of coordination between EU and extra-EU countries (e.g. in terms of nomination and renomination times) could cause imbalances for shippers (the problem is more relevant for shippers located in countries at the border of EU, like Italy, that import most of their gas directly from outside EU, e.g. from African countries)

Anigas recommends to take into account this issue and to provide for the possibility to implement specific mechanisms (as tolerances for imbalance) to "*hedge*" the operators from this risk, hence avoiding discriminations among EU shippers.

Furthermore Anigas believes that the cooperation among TSOs is fundamental in order to advance in the adoption of a harmonized balancing system across Europe, particularly considering the need to improve uniformly their informative and operational procedures.