

# Gas Industry Balancing Workshop

Clarion Hotel, Cork

20 April 2016

13:30 – 16:00

## Attendance:

### Gas Networks Ireland:

Brian Mullins, Andrew Kelly, Conor Long, Wilma Cullen, Denis Twomey, Lisa Walsh

### Industry:

Marie O’Dea	Bord Gais
Brian McGlinchey	Kinsale Energy
Kevin Murray	Bord Gais
Paul Hoey	Electric Ireland
Lisa Fahy	SSE
Karol O’Kane	ESB GWM
Paul Barnett	Manx Utilities
Derek Scully	Energia
Kieron Carroll	Kinsale Energy
Martin Regan	EBI
Bryan Hennessy	Vayu
Graham Wilkins	Tynagh
Brian O’Shea	Bord Gais
Henk Kreuze	Vermilion
Terry Burke	Statoil
Amrik Bal	Shell

## 1. Current Tolerance & Imbalance Prices

- The Transporter outlined the current tolerances and imbalance price regime that is in place in the Code of Operations, highlighting the changes in Exit Tolerances since 1 October 2015.

## 2. Operational Balancing Procedures

- The Transporter delivered an overview of the Transporter's objectives in managing balancing gas on the Transmission system as per the slides.
- The operating pressures of the GNI & GNI (UK) transmission network were outlined as well as the seasonal pressure guidelines for the Interconnectors.
- The criteria for consideration by the Transporter when carrying out Balancing Buys/Sells was outlined.
- A number of graphs showing type and volume of balancing actions taken in the last number of years were presented.
- The Transporter also advised that balancing actions may take place for non-routine operations e.g. pigging.

## 3. Industry Presentation – IOOA

- A representative of IOOA presented a number of slides as attached.
- IOOA expressed the view that Gas Networks Ireland could achieve compliance with the BAL Network Code prior to 2019.
- It was stated that the Balancing Services Contract should only be used as a last resort, and that system status updates would incentivise Shippers to balance their portfolios.
- A summary of the IOOA is outlined below:
  - GNI to publish hourly linepack figures
  - GNI to develop tolerance bands within which no balancing action would be required
  - GNI to assess system linepack and position against tolerance bands 3 times during the day and take balancing action if so required. Timings proposed were: 11:00, 16:00 and 23:00
  - Cashout price for shippers on the day would be set as SAP +/- 1.1p/therm or highest price action/lowest price action undertaken by GNI
- A graph of balancing actions taken by the Transporter in March & April 2014 was presented. The Transporter committed to consulting with IOOA to verify the data behind graph.
- IOOA outlined elements of balancing activities in other EU Markets, where system status updates are provided by the TSO and balancing actions taken on a trading platform by the TSO where necessary.
- IOOA stated their preference that the Transporter utilise a trading platform for balancing actions where possible, and the Transporters actions would then set the imbalance price. This along with the removal of tolerances for Shippers would force Shippers to balance using the platform.
- In the event of a lack of liquidity on the platform the Transporter would use a Balancing Gas Contract.
- A number of graphs showing the approach to balancing actions taken in other EU countries were presented as per the slides

## 4. Industry Discussion

- **Discussion on IOOA proposal**

- Discussion took place on the IOOA proposal and summarised below against key points:
  1. *GNI to publish hourly linepack figures* – GNI committed to reviewing if this could be possible
  2. *GNI to develop tolerance bands within which no balancing action would be required* – GNI noted that the Irish gas network is fundamentally different to the UK/French/Dutch networks and tolerance bands can be influenced by various factors e.g. flow at interconnectors
  3. *GNI to assess system linepack and position against tolerance bands 3 times during the day and take balancing action if so required. Timings proposed were: 11:00, 16:00 and 23:00*  
Concerns were raised that this may lead to GNI taking balancing actions when the system may have rectified itself later in the day e.g. Shippers nominating up later in the day to meet INFR requirements/greater certainty on portfolio load. Some shippers also expressed concern that this could be a step towards “hourly balancing” particularly a concern in the context of market restructuring in the electricity market but it was noted that the EU codes are promoting daily balancing. Participants noted that the Irish gas market is small in comparison and that liquidity at a trading platform is likely to be low compared to the NBP equivalent. Concerns were raised around potential gaming of the market in this context.
  4. Cashout price for shippers on the day would be set as SAP +/- 1.1p/therm or highest price action/lowest price action undertaken by GNI

There was general discussion on this proposal and whether the threshold suggest would sufficiently incentivise shippers to balance. It was noted that if GNI did take a balancing action, the cashout price could be [7-8]p/therm above/below the UK SAP.

### **Level of Imbalances:**

- An industry participant queried what is driving Shippers imbalances? The participant queried how much of the imbalances is due to poor behaviour by Shippers as opposed to an inability to comply, e.g. NDM forecasting accuracy, late dispatch of power generation Shippers. The point was made that it is not always Shippers who cause the system to be in imbalance and that if possible imbalances should be reviewed in terms of what is controllable by a shipper and not controllable.
- The Transporter took an action to present anonymised data on how many Shippers are consistently out of balance, and what the average Shipper imbalance is.
- The Transporter pointed out the First Tier Imbalance Tolerances are there to protect Shippers against circumstances outside their control.
- The point was made that Shippers who are causing imbalances should be charged accordingly, while recognising that certain elements of a Shipper’s imbalance may be outside of its control.
- As all Shippers are paying for balancing actions, any changes to balancing procedures must represent value for Shippers.

### **Entry Point Curtailments**

- An industry participant queried how the Transporter would approach curtailment of Entry Points if Shippers consistently remained out of balance.
- A number of points were made in relation to curtailment but it was generally agreed that while the Transporter may eventually need to curtail Entry Points in certain scenarios, the first priority

is to get Shippers to balance their portfolios (using a market based price/signal) so that curtailment isn't necessary.

- [A discussion took place in relation to the options available to the Transporter in the short term when full flows were available at the Bellanaboy Entry Point.](#)
- [The Transporter is to investigate what actions it can take in the short term to address issues caused by significant Shipper imbalances.](#)

#### Cashout price

- It was suggested that if any balancing actions taken by the Transporter could be fed into the cash-out price it would incentivise Shippers to maintain a balanced portfolio.

#### Structure of Balancing arrangements

- The Transporter took an action to submit proposals to industry on the following items:
  1. What information does the Transporter publish in relation to system status updates, and how often is that information published?
  2. How often are balancing actions taken by the Transporter, and at what point in the Gas Day should they be taken?
  3. What pricing structure should the Transporter develop for balancing actions?

## 5. Agreed Next Steps

- A number of actions were taken by the Transporter, as laid out in the table below.
- It was agreed to hold another workshop following the Code Modification Forum on 1 June in Dublin.

No.	Action	Responsibility
1.	GNI to provide further detail on the "transportation costs" applied to second tier imbalance prices.	GNI
2.	Conduct analysis of shipper imbalances and present anonymised information to industry.	GNI
3.	What information does the Transporter publish in relation to system status updates, and how often is that information published? Could GNI deliver hourly updates on line pack?	GNI
4.	How often are balancing actions taken by the Transporter, and at what point in the Gas Day should they be taken?	GNI
5.	What pricing structure should the Transporter develop for balancing actions?	GNI
6.	GNI to consider if existing first tier/second tier tolerance bands pricing mechanisms are appropriate.	GNI
7.	Transporter to consider protocols that should apply for situations where onshore demand less than indigenous gas, <a href="#">in both the short term and the long term.</a>	GNI
8.	Consider the presentations and discussions which took place and submit any proposals or comment to the Transporter.	Industry
9.	GNI to arrange logistics for next meeting (proposed as afternoon of 1 <sup>st</sup> June after code meeting) and issue any material available in advance for industry review.	GNI