



## **Business Rules Workshop**

**Dublin 24 September 2014**

**Code Modification A063:**

***'Nominations, Imbalance Charges & Allocations: EU Network Code Implementation'***

# Balancing & Nominations Business Rules

## *Proposed Timelines*



- Transporter develops draft business rules July-Sep 2014
- Business rules scope preview CMF 7 August
- Code Modification Proposal issued end Aug 2014
- Business rules circulated to Industry 18 Sep 2014
- Business rules Industry workshop 24 Sep 2014
- **Industry Responses due by: 9 Oct 2014**

# Business Rules:

## Supporting Information



Date	Source	Reference
2009 (updated in 2012)	European Commission	<a href="#">Regulation (EC) No 715/2009</a> on conditions for access to the natural gas transmission networks, updated to reflect Commission Decision 2012/490/EU of 24 August 2012
April 2013	Gaslink	Consolidated <a href="#">Gaslink Code of Operations v4.0</a> as of 1 April 2013
October 2013	European Union	<a href="#">Regulation EU 984/2013</a> , Capacity Allocation Mechanisms (CAM) Network Code
December 2013	ENTSOG	<a href="#">Draft Interoperability &amp; Data Exchange Network Code</a> as issued by ENTSOG to ACER on 18 December 2013
March 2014	European Union	<a href="#">Regulation EU No. 312/2014</a> establishing a Network Code on Gas Balancing of Transmission Networks
June 2014	Gaslink	<a href="#">Code Modification Proposal A062</a> 'Capacity Allocation Mechanisms (CAM) at Interconnection Points' Business Rules
July 2014	Joint Office of Gas Transporters	<a href="#">UNC Modification No. 0493</a> 'EU Gas Balancing Code – Daily Nominations at Interconnection Points'
August 2014	Joint Office of Gas Transporters	<a href="#">UNC Modification No. 0510</a> 'Reform of Gas Allocation Regime at GB Interconnection Points'



# Background Network Codes

## BALANCING

Reg 312/2014

Implementation Oct 2015

### Main Focus of Business Rules

- Information Provision (forecasts, metering, allocations)
- Nomination Process
- Imbalance Charges
- Neutrality (disbursements)
- Trade Notifications (IBP)

## INTEROPERABILITY

(in comitology)

Implementation TBD

### Minor references:

- Nomination Matching Process
- Allocations

## CAM

Reg 984/2013

Implementation Nov 2015

### Minor references:

- Bundled Capacity & Single Noms



# Balancing & Nominations Business Rules

## *Content*

- The business rules consultation will address the 4 main topics below:

**1. Information Provision**

**2. Nominations**

**3. Imbalance Charges**

**4. Allocation Methodology**



# Balancing Network Code:

## *Summary of Headline Implications*

### 1. Nominations

- New TSO – TSO process at Interconnection Points
- Matching Agents to be discontinued at Interconnection Points
- Single Sided & Double Sided Nominations
- Zero Imbalance Position (ZIP) discontinued

### 2. Imbalance Charges

- Tolerances removed
- Changes to imbalance prices
- Monthly cash-out of disbursements account
- After Day Trades removed

### 3. Allocation Methodology at IPs

- Allocations made 'whole' to confirmed quantity (nomination)
- Operational Balancing Account to be established by TSOs

# 1 Information Provision



**TSO to provide Shippers with sufficient information to allow it to keep its portfolio in balance**



**System Status**

**NDM Forecasts**

**Metering Information**

**Allocations / Imbalance Quantities**

# Information Provision

## Comparison: Current Gaslink Code vs BAL NC Requirements



Time	Info Type	BAL NC	BAL NC Ref	Gaslink Code (currently)	Code Ref	Currently Compliant?
D-1	NDM forecast	No later than 12:00	36.1 (a)	09:00 D – 1	Part D 1.6	YES
D (1 <sup>st</sup> )		No later than 13:00	36.2	11:00 D	Part D 1.6.3	YES
D (2 <sup>nd</sup> )		As per national rules (min requirement of two forecasts)	36.3	15:45 D		YES
D (3 <sup>rd</sup> )				20:45 D		YES
D (4 <sup>th</sup> )				00:45 D		YES
N/A	Forecast Accuracy	Publish report every 2 years	42.3	NONE	N/A	NO
D+1	Initial Allocation	No later than end of D+ 1	37.1	No later than 16:00 D+1	various	YES
D+2, 3, 4....	Final Allocation	As per national rules	37.3	No later than 16:00 D+5		YES
D+1	Initial Daily Imbalance Quantity	No later than end of D+ 1	37.1	No later than 17:30 D+1	Part E 1.5.1	YES
D+2, 3, 4....	Final Daily Imbalance Quantity	As per national rules	37.3	No later than 17:30 D+7	Part E 1.5.3	YES



## 2 Nominations



**Chapter 4 (Art 12–18) of BAL NC provides framework for nomination rules**



**Nomination windows / timelines**

**Nomination rejection criteria**

**Single / Double Sided Nominations**

**Nomination matching process**



# Nominations:

## *Summary*

### Nomination Windows

- Change Nomination window end time from to 13:00 D-1 (currently 10:00 D-1)
- Change Re-nomination window to 15:00 D-1 - 02:00 D (currently 18:00D-1 – 01:45D)
- *Propose to align windows at ALL points on networks (Entry & Exit)*

### Nomination Process at IPs: TSO – TSO Process

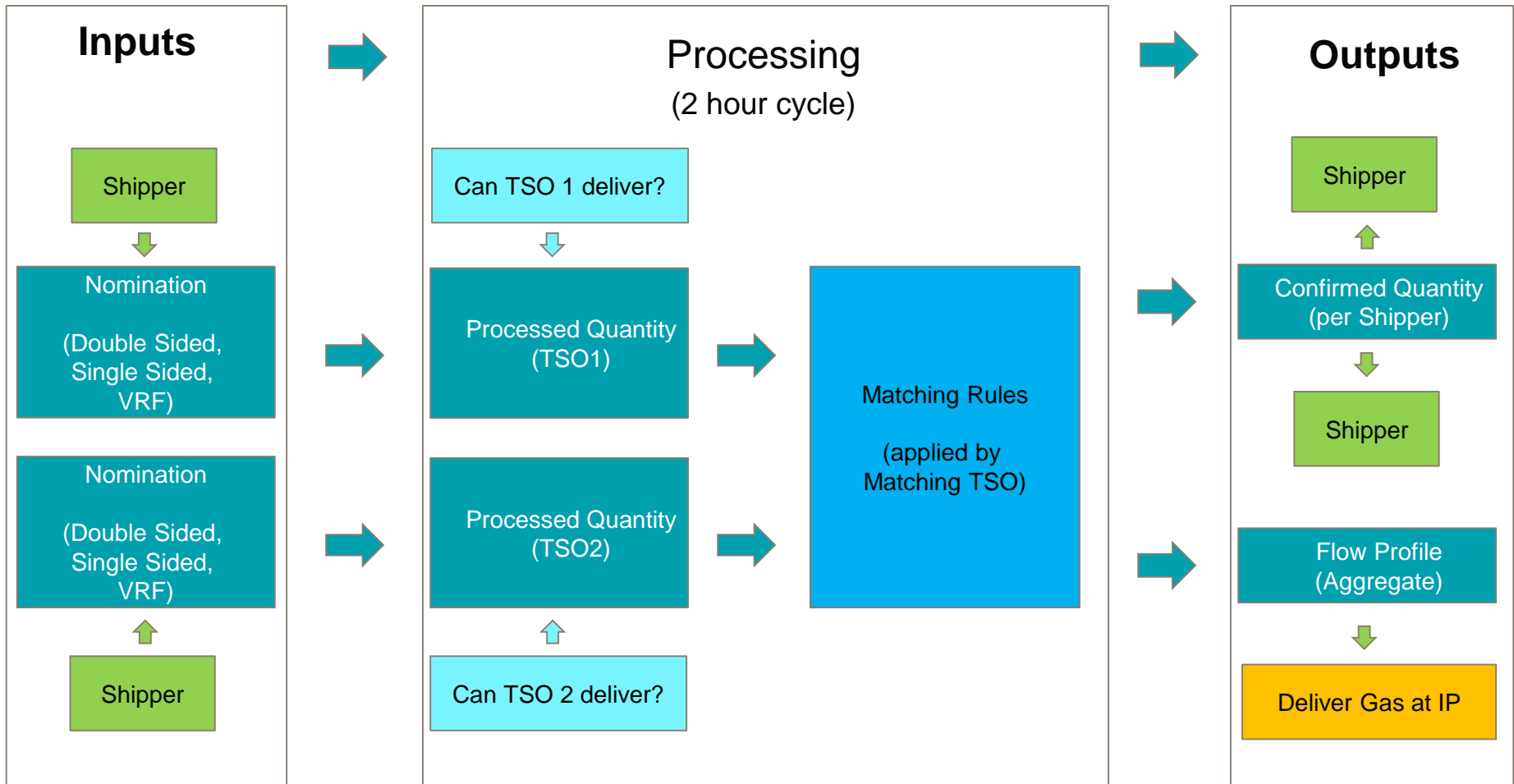
- Matching Agent abolished at IPs
- 2 hour ‘nomination cycle’ where TSO - TSO processes nominations
- Matching TSO & Initiating TSO - roles to be determined
- Single Sided Nomination & Double Sided Nomination Processes
- Nomination Rejection Criteria (Initiating & Matching TSOs)
- Processed Quantities & Confirmed Quantities
- Matching Rules - details to be included in Interconnection Agreement

# Nominations: General Summary



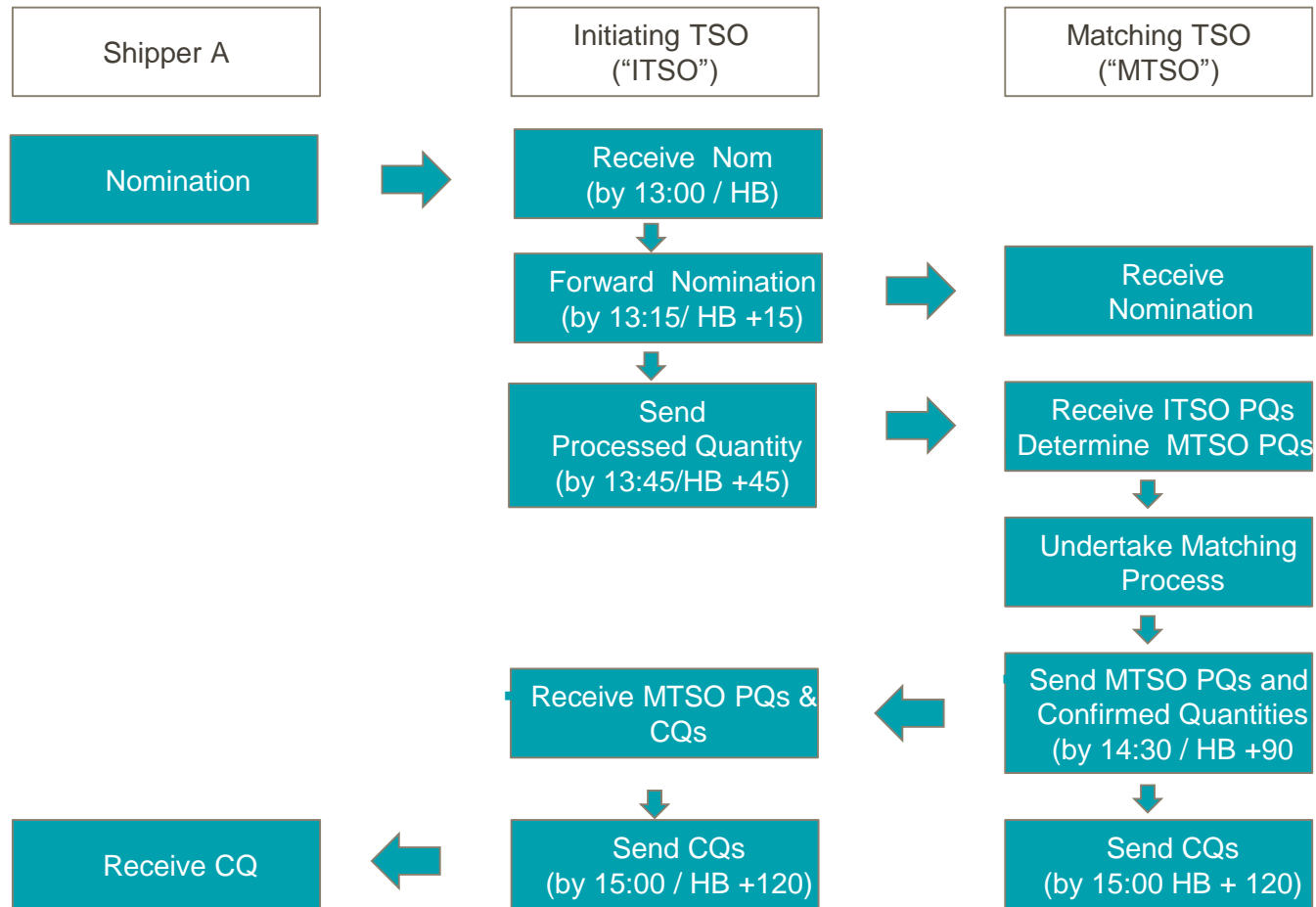
Rule	Current Gaslink Code	Balancing Network Code	Proposal
<b>Nomination Period</b>	Closes at 10:00 D-1	Closes at 13:00 D-1	Adjust deadline to align with BAL NC at ALL points
<b>If no Nom received by deadline</b>	Deemed ZERO nomination	Apply default rule as agreed by TSOs	Propose deemed ZERO Nom as default rule
<b>Renomination Window</b>	18:00 D-1 - 01:45 D	15:00 D-1 - 02:00 D	Adjust timing to align with BAL NC
<b>Confirmed Quantity notified to Shipper</b>	N/A	Hour bar + 2 after submission time	Align with BAL NC
<b>Effective Flow Time</b>	Hour bar + 2; or Hour bar + 3; or Hour bar + 5 After submission time (subject to 15 minute before the hour rule)	As above	<b>Remove Renomination Notice Periods (Effective Times) from Code</b>
<b>Rejection Criteria</b>	<ul style="list-style-type: none"> <li>- Correct info / format</li> <li>- Within time window</li> <li>- Negative INFR</li> <li>- &gt; Active Capacity</li> <li>- <b>Effective Times</b></li> <li>- <b>Back-up Capacity</b></li> <li>- <b>ZIP</b></li> </ul>	<ul style="list-style-type: none"> <li>- Correct info / format</li> <li>- Within time window</li> <li>- Negative INFR</li> <li>- &gt; allocated capacity</li> </ul>	<p><b>Remove Renomination Notice Periods (Effective Times), Back-up Entry Capacity, &amp; ZIP as rejection criteria</b></p> <p>Retain Negative INFR &amp; Active Capacity criteria</p>

# Nomination Processing



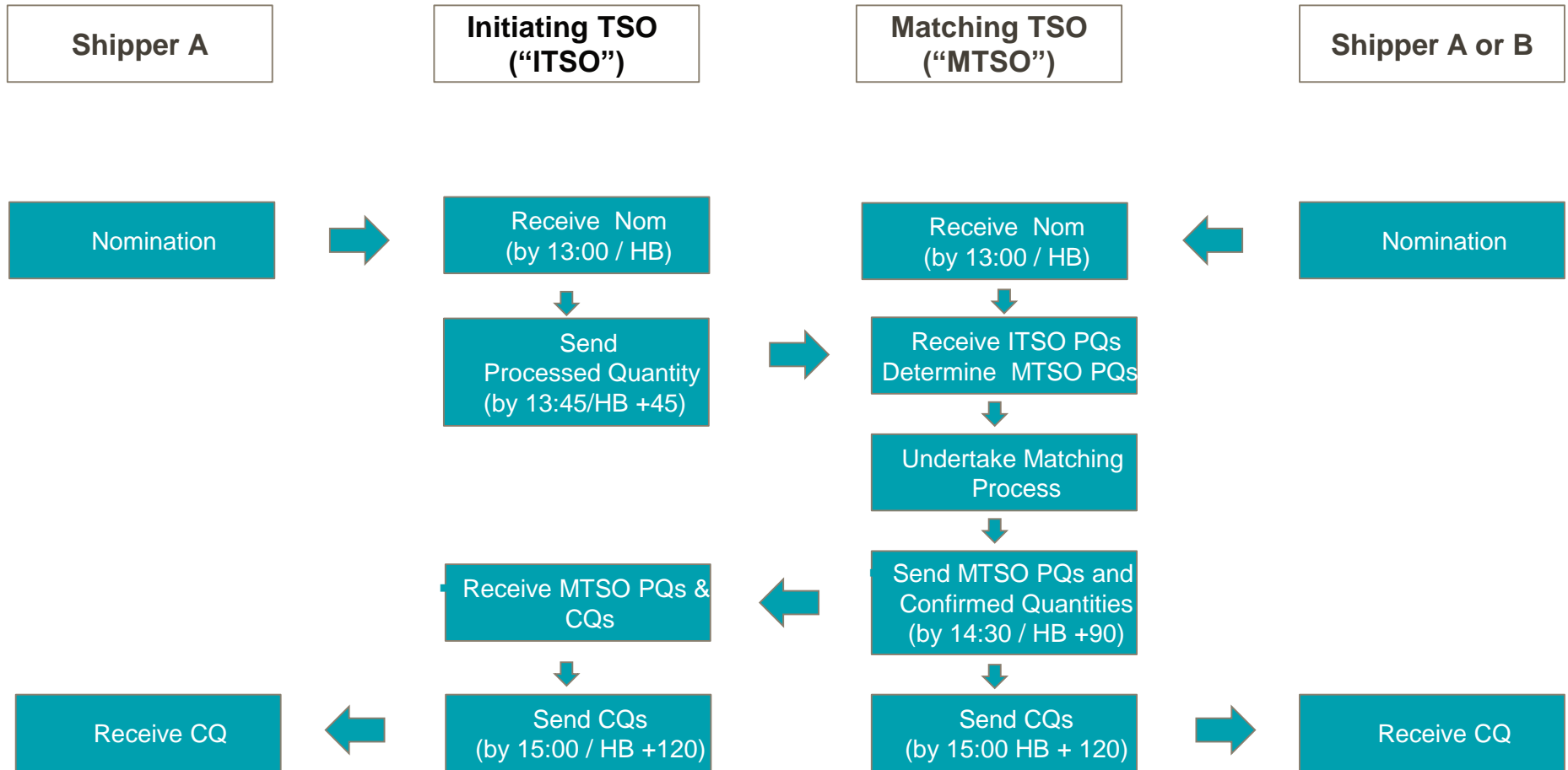
# Nomination Processing

## Single Sided Nominations



# Nomination Processing

## Double Sided Nominations



### 3 Imbalance Charges



**Chapter 5 & 7 (and Art 5) of BAL NC provides framework for Imbalance Charges, Neutrality & Trade Notifications**



**Imbalance Charges**

**Neutrality**  
(disbursements)

**Trade Notifications**  
(IBP buy/sell)

# Imbalance Charges

## *BAL NC Guiding Principle*



### **Balancing Network Code:**

*‘Market-based balancing rules financially incentivise network users to balance their balancing portfolios via cost-reflective imbalance charges.’*

*‘Network users are to bear the responsibility of balancing their inputs against their off-takes’*





# Imbalance Charge Methodology

## *Summary of Proposal*

### Currently

- Shipper with a 'good' imbalance position bears a portion of the cost of a Shipper with a 'poor' imbalance position
- Shipper with 'poor' imbalance position mitigates imbalance charges through disbursements process
- Current regime does not provide sufficient incentive to Shippers to maintain a balanced portfolio

### Proposal

1. Remove tolerances
2. Increase Imbalance Charges (increased price differential between cost of balancing and credit / charge issued to Shipper)

### Desired Outcome

- Shipper incentivised to maintain a balanced portfolio
- Reduced balancing actions, reduced costs to Shippers

# Imbalance Charge Methodology

## *Tolerances*



- Art 50 of BAL NC does not allow for the application of tolerances (with exception of interim measures)
- Therefore, it is proposed to remove the following from the Gaslink Code:
  - Shipper Portfolio Tolerance
  - First Tier Imbalance Quantity
  - Second Tier Imbalance Quantity
  - First Tier Imbalance Price
  - Second Tier Imbalance Price
  - Entry Point Variance Tolerance

# Imbalance Charge Methodology

## *Applicable Price*



The ***Marginal Sell Price*** shall be calculated as follows:

- On a Gas Day in which the Transporter is involved in the sale of title products, the lower of:
  - the lowest price of any sales of title products in which the Transporter is involved in respect of the Gas Day; or
  - the weighted average price of gas in respect of that Gas Day, less 10% of the weighted average price, and less Imbalance Gas Transportation Costs.
- On a Gas Day in which the Transporter is not involved in the sale of title products:
  - (System Marginal Sell Price - Imbalance Gas Transportation Costs - Balancing Sell Contract Margin) x 0.9.

# Imbalance Charge Methodology

## *Applicable Price*



The ***Marginal Buy Price*** shall be calculated as follows:

- On a Gas Day in which the Transporter is involved in the purchase of title products, the higher of:
  - the highest price of any purchase of title products in which the Transporter is involved in respect of the Gas Day; or
  - the weighted average price of gas in respect of that Gas Day, plus 10% of the weighted average price, and plus Imbalance Gas Transportation Costs.
- On a Gas Day in which the Transporter is not involved in the sale of title products:
  - (System Marginal Buy Price + Imbalance Gas Transportation Costs + Balancing Sell Contract Margin) x 1.1.

# Imbalance Charge Methodology

## *Disbursements Process*



- Shippers will continue to receive credits / charges as part of the disbursements account process
  - A Shipper who can minimise its imbalance charges can expect to benefit more from the disbursements process
- Current disbursements account process to be retained with the following exception:
  - **Shippers will be cashed out on a monthly basis**
  - (currently, Shippers are issued credits monthly but cashed out once annually)
- Monthly 'neutrality' charge to be introduced maintain Transporter's cash-neutral status

# After Day Trades & Scheduling Charges



## After Day Trades

- it is proposed that After Day Trades be discontinued
- While After Day Trades represent a means by which a Shipper may reduce its exposure to Imbalance Charges after the day, it does not provide an incentive to the Shipper to maintain a balanced portfolio within the day.

- **Scheduling Charges**

- It is proposed that Scheduling Charges (applied to the difference between a Shipper's Nominations and Allocations at a point) be discontinued at Interconnection Points.
- Given that a Shipper's Allocation at Interconnection Points will predominantly equal its Confirmed Quantity, it is proposed that Scheduling Charges are no longer necessary in respect of Interconnection Points.

# Trade Notifications



- Current IBP Buy and Sell Nominations process is compliant with BAL NC guidelines with following exceptions:
  - Max time to match an IBP Buy Nomination with an equal and opposite IBP Sell Nomination reduced from 1 hour to 30 minutes
  - Requirement for a Shipper to hold capacity as a prerequisite to submitting an IBP Nomination is to be removed



# Balancing Portfolios

## *Issue*

- System configuration is such that gas cannot physically flow from onshore system to exits at South North Pipeline or Isle of Man
- On a day where low volumes flow through Moffat coinciding with:
  - High volumes entering the system at other Entry Points; and
  - High volumes exiting the system through the South North Pipeline and/or at the Isle of Man Offtakesignificant balancing actions might be necessary, with associated costs.
- Possible that Overall system could be 'in balance' while:
  - Balancing buy required on Interconnector System (Moffat flows below min flow); and
  - equal and opposite balancing sell required onshore (too much gas in onshore system)
- Currently protection against this issue exists in the form of ZIP requirements at Isle of Man and South North Pipeline





# Balancing Portfolios

## *Proposal*

### Capacity

- Shipper buys bundled capacity at Moffat (RoI Entry and NTS Exit) via PRISMA auction
- Shipper buys bundled capacity at SNP (RoI Exit and BGE(NI) Entry)
- 2 separate auctions; one at Moffat; one at SNP i.e. no linked/competing auctions
- no separate Shipper ID required

### Nominations

- Shipper nominates a quantity of gas to be entered into the RoI network at Moffat
- Shipper nominates a quantity of gas to exit the RoI network at SN CSEP
- no sub-division of Moffat nominations based on final destination of gas and no separate Shipper ID required - no separate Shipper ID required

### Allocations

- Shipper receives an Entry Allocation at Moffat and an Exit Allocation at SN CSEP
- no sub-division of Moffat Allocations based on final destination of gas and no separate Shipper ID required



# Balancing Portfolios

## Proposal

### Balancing Portfolios

- The calculation of a Shipper's Daily Imbalance Quantity will incorporate two separate balancing portfolios
- Shipper has two balancing portfolios:
  - 'System' Balancing Portfolio; and
  - 'Interconnector' Balancing Portfolio (Moffat, SNP & IoM)

System Balancing Portfolio	
INPUTS	OUTPUTS
Moffat Entry (net)	Inch (Exit)
Cbellanaboy Entry	LDM, DM, NDM Exit
Inch Entry	IBP (sell)
IBP (buy)	

Interconnector Balancing Portfolio	
INPUTS	OUTPUTS
Moffat	SNP Exit
	Isle of Man Exit



# Balancing Portfolios

## Proposal

### 'Interconnector' Balancing Portfolio

Interconnector Balancing Portfolio	
INPUTS	OUTPUTS
Moffat	SNP Exit
	Isle of Man Exit

Imbalance Charges apply if:

INPUTS **less than** OUTPUTS

### 'System' Balancing Portfolio

System Balancing Portfolio	
INPUTS	OUTPUTS
Moffat Entry (net)	Inch (Exit)
Cbellanaboy Entry	LDM, DM, NDM Exit
Inch Entry	IBP (sell)
IBP (buy)	

Imbalance Charges apply if:

INPUTS **not equal to** OUTPUTS

Note: 'Moffat (net)' is the quantity by which Moffat Entry Allocation exceeds SNP Exit & IoM Exit Allocations

## 4 Allocation Methodology



**Draft INT & DE NC sets out rules in relation to Allocation methodologies at Interconnection Points**



**Operational Balancing Account**

**Allocation Methodology**  
(Allocation = 'Confirmed Quantity')

# Allocation Methodology

## *Operational Balancing Agreements*



- Currently developing Operational Balancing Agreements with the relevant Adjacent Transporters in respect of the Interconnection Points, which are to be included in the Interconnection Agreements.
- The specific details of the agreements are not yet finalised, however the Allocation methodology is expected to follow the following general principles:
  - Where the difference between the metered quantity at the Interconnection point is less than or equal to a pre-defined value, a Shippers Allocation shall be equal to its Confirmed Quantity; and
  - Where the difference between the metered quantity at the Interconnection point is greater than a pre-defined value, a proportional allocation rule shall be applied.

# Allocation Methodology

## *Reallocations*



- Given that a Shipper's Allocations at Interconnection Points will predominantly equal its Confirmed Quantities:
  - **it is proposed that the following features of the existing Code be discontinued** at Interconnection Points
  - Note: propose retaining in respect Entry Points other than Interconnection Points
- 1. Entry Allocation Adjustment Request (see Part D 2.5.4 of the Code); and
- 2. Facility for two or more Shippers, following receipt of Initial Entry Allocations, to agree on a different allocation between themselves (see Part D 2.5.3 of the Code).