

E-Control
Rudolfsplatz 13a
A-1010 Vienna
Austria

MFM-D

Your ref.	
Your letter	
Our ref.	
Contact	Steve Rose
Phone	+44(0)1793 475279
Email	stephen.rose@rwe.com

Swindon, 15/05/2018

Consultation document - Redesigning the Austrian gas balancing system

Dear Sir or Madam,

RWE Supply & Trading welcomes the opportunity to respond to the above consultation. Our response is not confidential and can be published on your website.

In general we support the proposed changes and regard them as an improvement on the current balancing system. We understand however that implementation of the new balancing system is not likely until 2021, but would encourage E-Control and all relevant parties to use their best endeavours to expedite this date. In the event an extended implementation period cannot be avoided we would encourage E-Control to start work on implementing those aspects of the new balancing system which will take most time deliver, such as IT system developments and establishing the central settlements agency. Further work could also start on those aspects where improvements could be made, such as improving the accuracy and frequency of SLP forecasts, designing incentives and investigating near-real time flow data at relevant points.

Our responses to the specific questions raised in the consultation are included below. Should you wish to discuss these further please feel free to contact us.

A: Will a single clearing entity improve the system and make it easier to use?

Yes

B: Do you welcome that BRPs will no longer be exposed to potentially opposing imbalances for the same day (ex ante and ex post)?

Yes. The current distinction between ex ante and ex post balancing and clearing creates inefficiency.

C: Are the standard load profiles that are currently used suitable for the future system?

We do not have a view of the suitability of current standard load profiles. But their use is consistent with the base case information model included in the EU Balancing Network Code (BAL NC). E-Control should monitor the extent to which

RWE Supply & Trading GmbH
Swindon Branch

Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB
United Kingdom

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwe.com

Registered No. BR 7373

VAT Registration No.
GB 524 921354

Supervisory Board:
Dr Markus Krebber (Chairman)

Board of Directors:
Andree Stracke
Dr Michael Müller
Peter Krembel
Tom Glover

Head Office:
Essen, Germany
Registered at:
Local District Court, Essen
Registered No.
HR B 14327

Bank details:
Deutsche Bank Essen
Bank Code 360 700 50
Account No. 105 127 500
SWIFT: DEUTDEDE
IBAN: DE05 3607 0050 0105
1275 00

standard load profiles accurately forecast measured flows and consider using tailored and proportionate incentives to progressively improve the MADAM's forecasting accuracy. This could involve the MADAM increasing the number of SLP forecasts provided within day, over and above the three times per day currently envisaged.

D: Are the additional data that will be provided useful? Is this an efficient information system?

Yes. The data to be provided to balancing responsible parties (BRPs) should be sufficient to enable them to balance their portfolios reasonably efficiently within day. With regard to the market area data provided, it is important for BRPs to understand the basis upon which the MADAM will take balancing actions (market area imbalance and/or linepack) and the limits within which the MADAM operates.

E: Which of the data provided during the day are particularly important for BGs to be able to balance their portfolios?

All of the data items 5 – 10 in Table 1 are important for BRPs to be able to balance their portfolios. Whilst physical flow information at relevant points is currently provided on an hourly basis, moving to near real time granularity (e.g. every 5 minutes) would give BRPs improved and faster visibility of flow patterns which may lead to balancing actions, thereby enhancing their ability to react accordingly. Such improved visibility could be important in the Austrian system with its limited amount of linepack.

F: When calculating the preliminary net position of a BG, does it make sense to simplify the approach for preliminary allocations of DB-LM consumers without hourly data submission, as is proposed above?

We do not have a specific view on this.

G: Should calculated preliminary allocations for DB-LM consumers without hourly data submission be provided each hour or rather 3 times a day (as for SLP consumption forecasts)?

We do not have a specific view on this

H: Will the helper/causer system (instead of the small adjustment) incentivise balance groups to balance their portfolios and to contribute to system stability?

We do not support the proposed helper/causer incentives and see no reason to deviate away from the method of determining imbalance prices and settling BRP imbalances as set out in the BAL NC. The small adjustment acts as an appropriate incentive for BRPs to balance their portfolios. To the extent the helper/causer system is even BAL NC compliant, we caution against Austria implementing incentives which are different to those applied elsewhere in Europe and which may

encourage BRPs to run long or short portfolio imbalances. BRPs should be incentivised to balance their portfolios at all times. To the extent the system as a whole is out of balance they should be incentivised to trade and optimise their portfolios for financial advantage, which the BAL NC effectively ensures.

I: Considering the redesigned system for within day obligations, are the much higher thresholds for hourly balancing (contracted capacity > 300,000 kWh/h) well chosen?

We support the increased thresholds, but have no information on which to judge whether they are well chosen.

J: Should the percentage for the tolerance level be fixed ex ante for an extended period of time or should it be calculated ex post, based on actual daily linepack use?

The percentage tolerance should be fixed ex ante to provide more certainty to BRPs. Typically it should not vary significantly or frequently and any changes that are necessary should be notified publicly in a timely manner, to enable BRPs to adapt accordingly.

K: Should within day obligations generally be avoided? Please consider that the neutrality charge for balancing would then need to cover any and all costs of the single clearing entity for within-day balancing actions and it might be necessary to curtail BGs more often (s. chapter 3.10).

Within day obligations (WDOs) should be applied where necessary to ensure system integrity and are provided for in the BAL NC, subject to certain criteria. Whilst the form of WDOs proposed appear to meet a number of these criteria and bear a close resemblance to those applied in Germany, more justification should be provided for why they are necessary in Austria.

Whilst the Austrian system is not as replete with linepack as other EU systems without WDOs (e.g. UK and Italy), providing some historical and projected information about linepack, system imbalances, within day load variability and DSO demand variation would help BRPs to make a more informed judgement.

Once implemented WDOs will be very hard to remove. So E-Control so might want to consider a time limited trial implementation of the new balancing system without WDOs, whereby a number of pre-defined parameters are set relating to the number of curtailments, the number of balancing actions and the scale of balancing neutrality revenues accrued. If during the trial the parameters are breached the trial could be suspended and WDOs applied immediately thereafter. But if the trial was successful it could be extended for further periods on a rolling basis, ideally demonstrating that BRPs are able to responsibly balance their portfolios without the encumbrance of WDOs.

L: Does it make sense to recalculate the amount of the neutrality charge for balancing each day?

No. We do not expect neutrality charges to be material and so calculating balancing neutrality charges on a monthly basis would be more appropriate.

M: What is the threshold (in ct/kWh) for an acceptable neutrality charge for balancing, considering that it is calculated ex post and market participants cannot know it ex ante?

The balancing regime should avoid material cash flows (particularly negative cash flows) being regularly allocated to the balancing neutrality account, as this exposes BRPs to unmanageable price risks. The balancing neutrality charge is likely to vary month on month and there is no hard threshold for what an acceptable charge would be. But notionally we would expect BRPs to become concerned if the neutrality charge amounted to more than approximately 0.25% of the wholesale market gas price.

N: Is it preferable to re-calculate the neutrality charge for balancing each day (thereby better reflecting who causes imbalances) or would you rather have a neutrality charge for balancing that is fixed for a longer period of time (with a time lag against the actual situation)?

All of the cash flows associated with the new balancing system (balancing actions, cashing out BRPs imbalances, balancing incentive mark-up charges) should be aggregated on a monthly basis and accounted for via a single unit charge applied to a BRPs physical flows during that month.

O: Is it efficient and sensible to expedite financial settlement of the 1st clearing by entrusting it to a largely automated financial settlement agency (e.g. an exchange's clearing house)?

This may be appropriate but equally it may be more appropriate for this to be done by the MADAM, or another body. The degree of complexity and the value of balancing neutrality cash flows to be settled are likely to be less than for commodity markets, so using an exchange clearing house may be considered as overkill. Minimising the cost and complexity of balancing neutrality settlements should be the primary factor when deciding who to appoint in this role.

Yours sincerely,



Steve Rose
Head of Gas Market Design & Regulation
RWE Supply & Trading GmbH



Konrad Keyserlingk
Senior Expert - Regulatory Affairs
RWE Supply & Trading GmbH