

Market management in a common balancing area

Stakeholder workshop II

2020-11-06

Contents

1. What is market area management?
2. Alternative models for market management
3. Main similarities and differences between the management models
4. Conclusions

What is market area management?

Virtual trading point

System balance settlement

Balancing agreements with BRPs

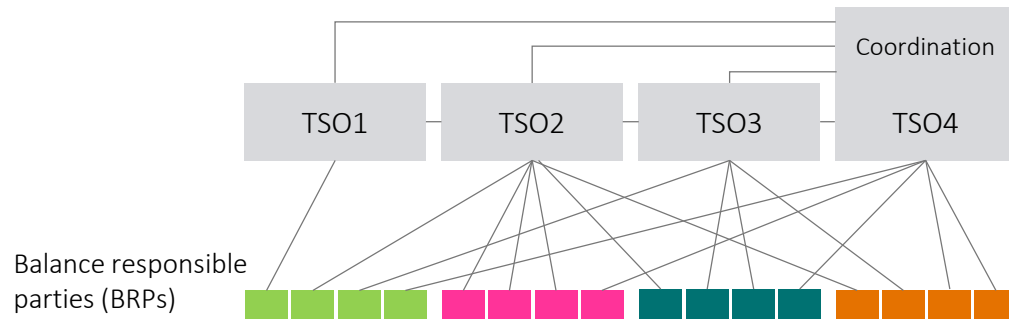
Physical balancing
(system and network levels)

Imbalance charges

Neutrality charges

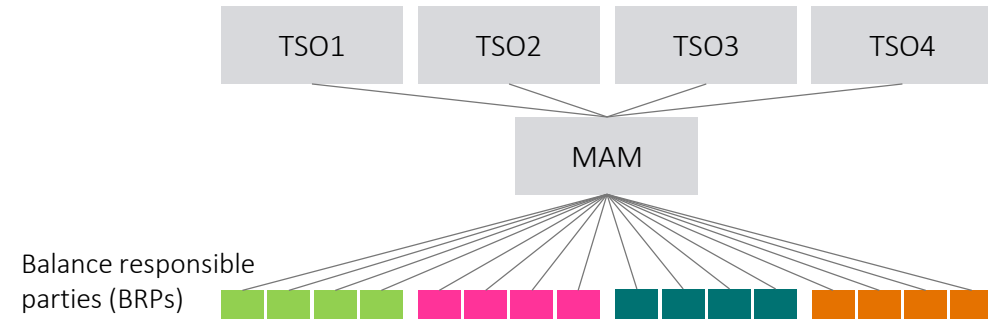
Market development
(rules, services)

Alternative models for market management



TSO Cooperation model (TCO)

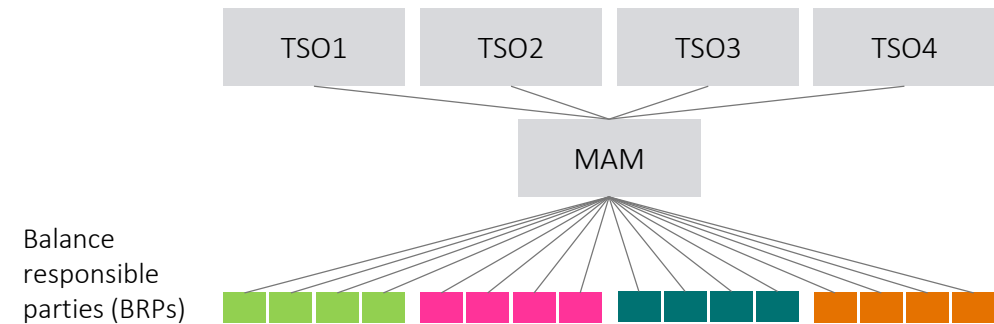
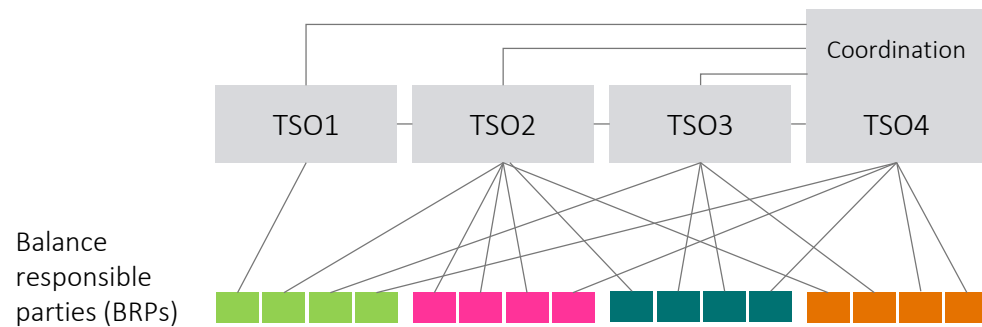
- One selected TSO, so-called Coordinating TSO, manages VTP and carries out balance settlement.
- Four TSOs act as balancing TSOs in parallel with each other.
- BRPs can freely choose with whom of the four balancing TSOs they conclude a balancing agreement.
- The same balancing rules are applied to the entire market area. The balancing agreements are the same apart from differences in the requirements set by national legislation depending on the home country of the TSO.
- Cooperation between the balancing TSOs and Coordinating TSO is governed with a TSO-TSO cooperation agreement.



Market area manager (MAM)

- One entity jointly owned by the TSOs manages VTP, carries out balance settlement and acts as system balancing operator with responsibility of its own service development.
- The same balancing rules and balancing agreements are applied to all BRPs.
- Each TSO is a shareholder of the MAM entity responsible for the supervision of the MAM.

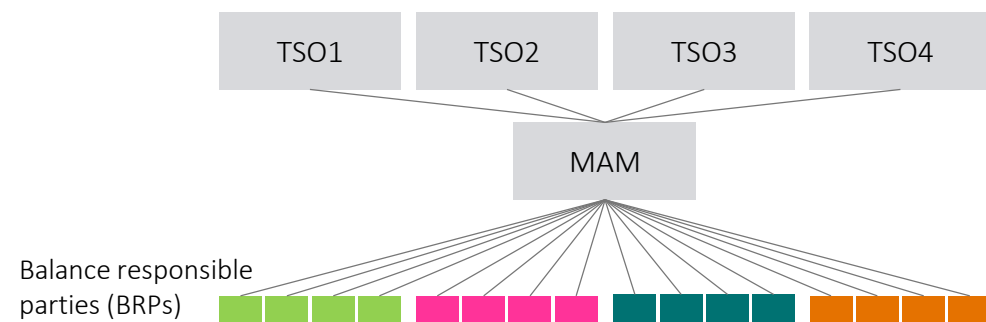
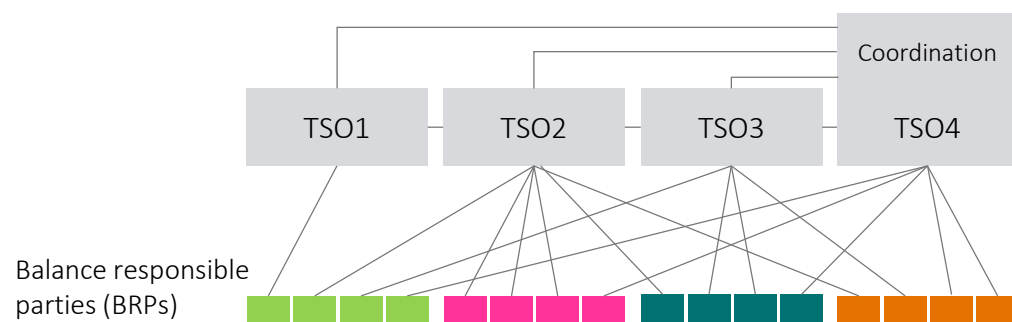
Legal perspective



	TSO Cooperation model (TCO)	Market Area Manager (MAM)
Applicable law in agreements	National	One country
Joint balancing rules	To be approved separately by each NRA	To be approved separately by each NRA

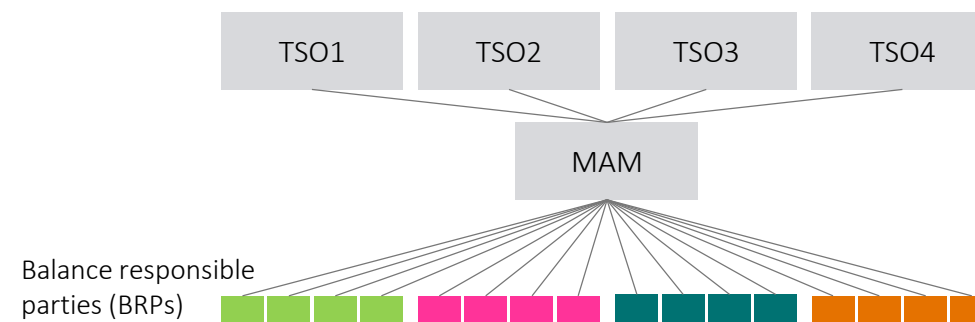
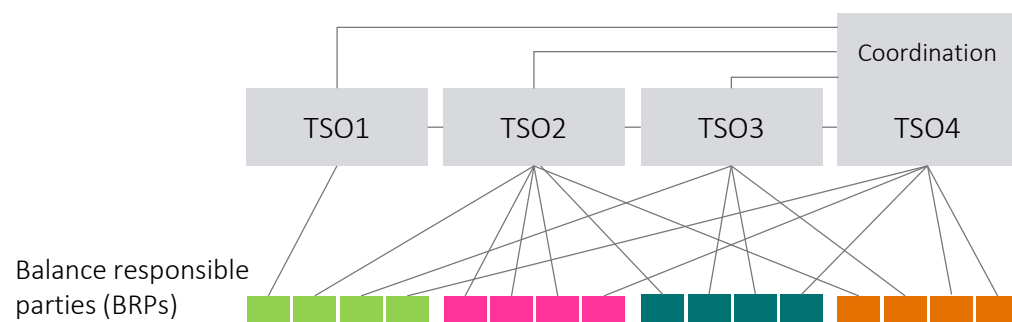
- In Finland, tasks related to 'system responsibility' are allowed to be organised solely by the TSO or a joint venture co-owned by the TSOs.
 - It is possible that the TCO model is not applicable in Finland. Final judgement on this is possible only when the TSOs present a proposal on the terms and conditions for market area management to the Finnish Energy Authority.

Commercial balance management perspective



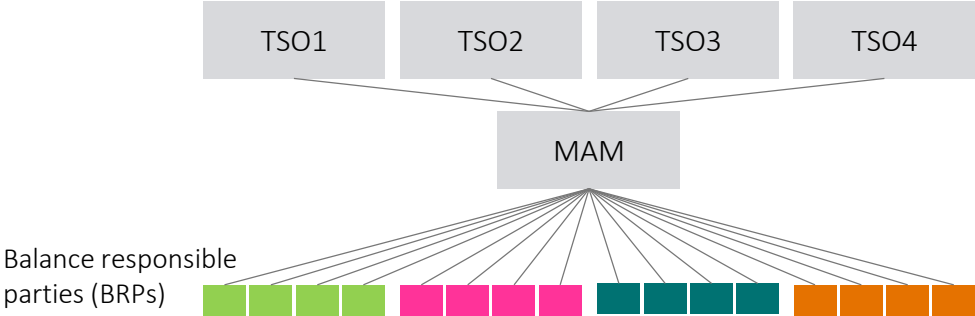
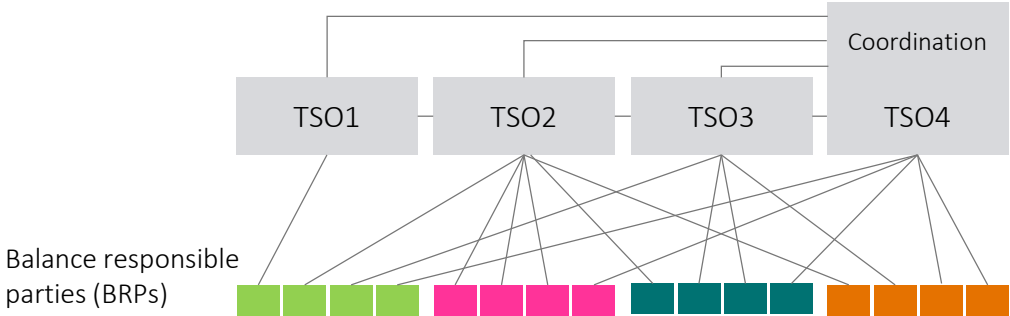
	TSO Cooperation model (TCO)	Market Area Manager (MAM)
Joint platform for BRP and shipper/trader communication with system	Yes	Yes
Who carries out balance settlement	Coordinating TSO	MAM
Same price of imbalances for all shippers	Yes	Yes
Number of system balancing responsible parties	4	1

Operational balance management perspective



	TSO Cooperation model (TCO)	Market Area Manager (MAM)
Information about system and network status for TSOs	Coordinating TSO	MAM
Who is responsible for network physical balancing	TSOs	TSOs
Who is responsible for system physical balancing	Coordinating TSO in cooperation with balancing TSOs	MAM in cooperation with TSOs
Who is responsible for physical balancing contracts	TSOs and Coordinating TSO	TSOs

Neutrality arrangements perspective



	TSO Cooperation model (TCO)	Market Area Manager (MAM)
All costs and income accountable for market area management are summarized	Yes	Yes
Neutrality charges are charged from all shippers in relation to their physical transportation quantities	Yes	Yes



Coffee break



Continued

Organisational requirements

Task	TSO Cooperation model (TCO)	Market Area Manager (MAM)	Main differences
Registration as a balance responsible party	To BRP's selected TSO	To MAM	X
Nominations	Coordinating TSO forwards nominations to each TSO for processing	MAM forwards nominations to each TSO for processing	
Trade notifications	Coordinating TSO processes these	MAM processes these	
Forecasts	Each TSO sends to Coordinating TSO	Each TSO sends to MAM	
Gas allocation	Each TSO sends accepted nominations and validated measurement data to Coordinating TSO	Each TSO sends accepted nominations and validated measurement data to MAM	
Balance settlement	Coordinating TSO performs balance settlement and sends the results to 4 balancing TSOs and 4 network TSOs. Balancing TSOs are responsible for the information to BRPs.	MAM performs balance settlement and sends these results to each BRP and 4 network TSOs	X
Invoicing	Each balancing TSO invoices their BRPs	MAM invoices all BRPs	X
Balancing services	Coordinating TSO or balancing TSOs may use short-term title products to balance the system, TSOs may use locational products to balance their networks	MAM may use short-term title products to balance the system, TSOs may use locational products to balance their networks	X

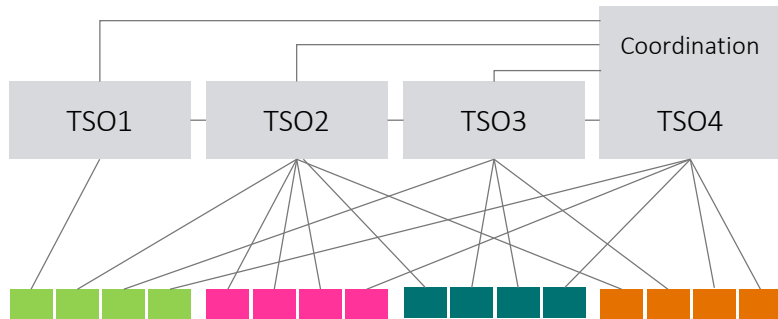
Organisational requirements, continued

Task	TSO Cooperation model (TCO)	Market Area Manager (MAM)	Main differences
Neutrality charges	Coordinating TSO summarises the costs and income and redistributes the amounts payable / receivable to the TSOs who invoice the neutrality charges from their own BRPs.	MAM summarises the costs and income and redistributes the amounts payable / receivable to the TSOs who invoice the neutrality charges from their own BRPs.	
Functional services (HR, legal, accounting, IT support, etc.)	Each TSO in their own organization. All personnel are dedicated to the TSOs.	MAM has its own dedicated resources, who could also be part-time working for the TSOs or be carried out as outsourced services.	X
Market development	Through cooperation between four TSOs	MAM could be assigned by the TSOs to have partial or full responsibility for balancing rules and services development. TSOs would supervise MAM and participate in the development if needed	X



Main question is whether the balancing should be maintained as-is under each national TSO (but still enabling one balancing portfolio per BRP to the entire market) or be centralised to one cross-national entity (minimal overlap, the same services and contracts for all, not reliant on specific TSO)?

IT requirements

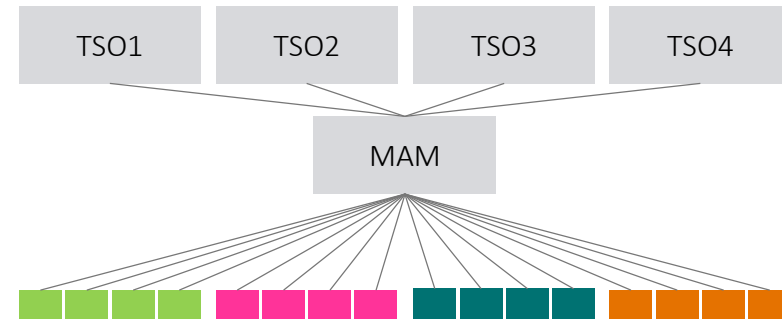


Minimum requirements for Coordinating TSO (one entity)

- Communication with TSOs and shippers/traders
- System balance settlement
- Management of system physical and commercial balance in cooperation with balancing and network TSOs

Minimum requirements for balancing and network TSO (four entities)

- Communication with Coordinating TSO and BRPs
- Invoicing of BRPs
- Management of commercial portfolio and network balances and the related title products and locational balancing contracts in coordination with the Coordinating TSO.



Minimum requirements (one entity)

- Communication with TSOs, BRPs and shippers/traders
- System balance settlement
- Management of system physical and commercial balance in cooperation with network TSOs and the related title products for balancing
- Invoicing of BRPs

Minimum requirements for network TSO (four entities)

- Communication with MAM
- Management of network balance and the related locational balancing contracts in coordination with MAM.



An IT cost – benefit analysis has not been done with either of the management models.

Risk management aspects

Governance

Financial management

Stakeholder communication and
market development

Legal and regulatory compliance

Management of crises and
unplanned events

Management of breach and
termination of contract situations

Balancing risks management*

* In the previous workshop it was demonstrated that TSOs should jointly agree on capacity products and capacity allocation methods to manage risks for balancing in a common balancing area.

Conclusions

- In TCO model, one of the existing TSOs would be dedicated to operate as a permanent Coordinating TSO. Four balancing TSOs would continue to have overlapping functions with each other.
 - Market development would be jointly coordinated between the existing TSOs.
- MAM would act as a single point of contact for all parties. MAM would be jointly owned by all the four TSOs.
 - Market development could be assigned to MAM in cooperation with the existing TSOs.
- IT development requires a cost-benefit analysis in both cases, since the four countries have a different starting point.
- There has been no cost-benefit analysis between the two management models.

Questions

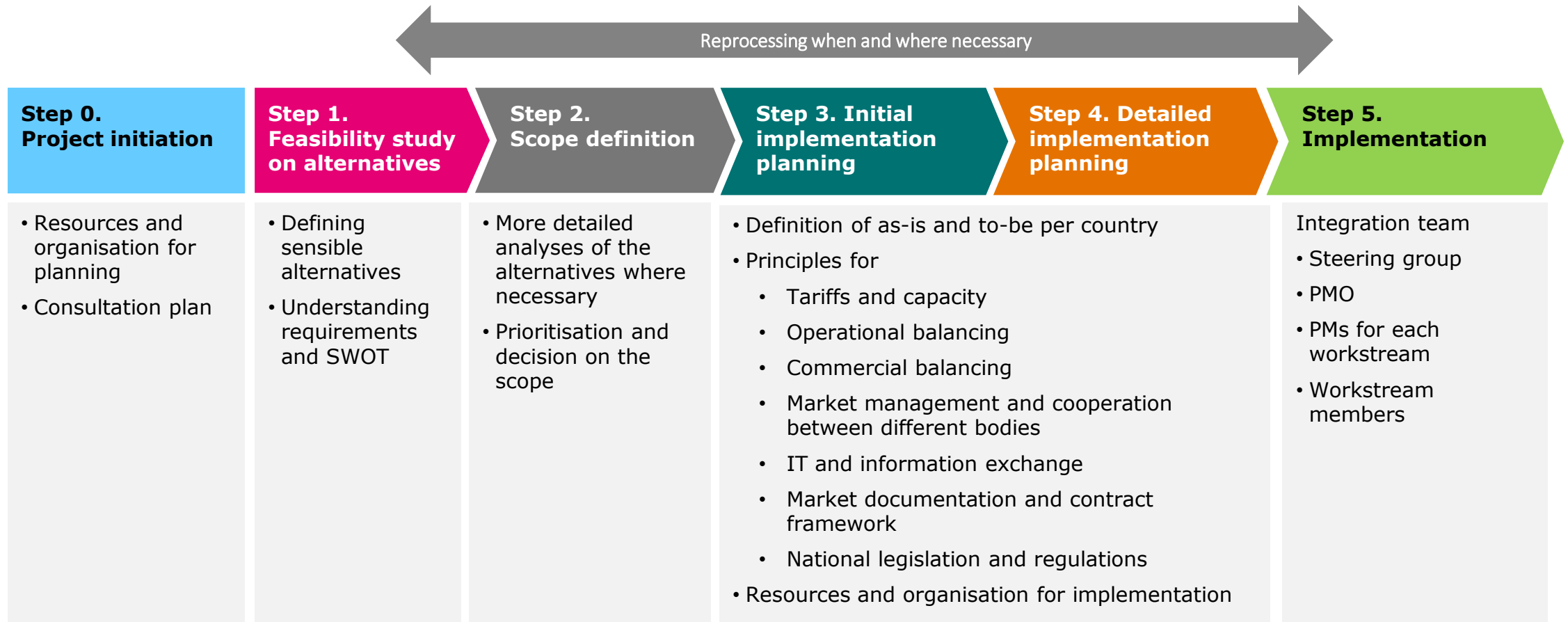
- Which model seems more applicable to you?
 - TSO Cooperation
 - MAM
 - Unable to say
- Should both options be further studied (incl. CBA) before making decisions?
- Would you like to participate in the development of a management model?
- Would you like to participate in the development of the related information exchange and IT concept?



*“Those who plan do better than those who do not plan,
even though they rarely stick to their plan.”*

- Winston Churchill

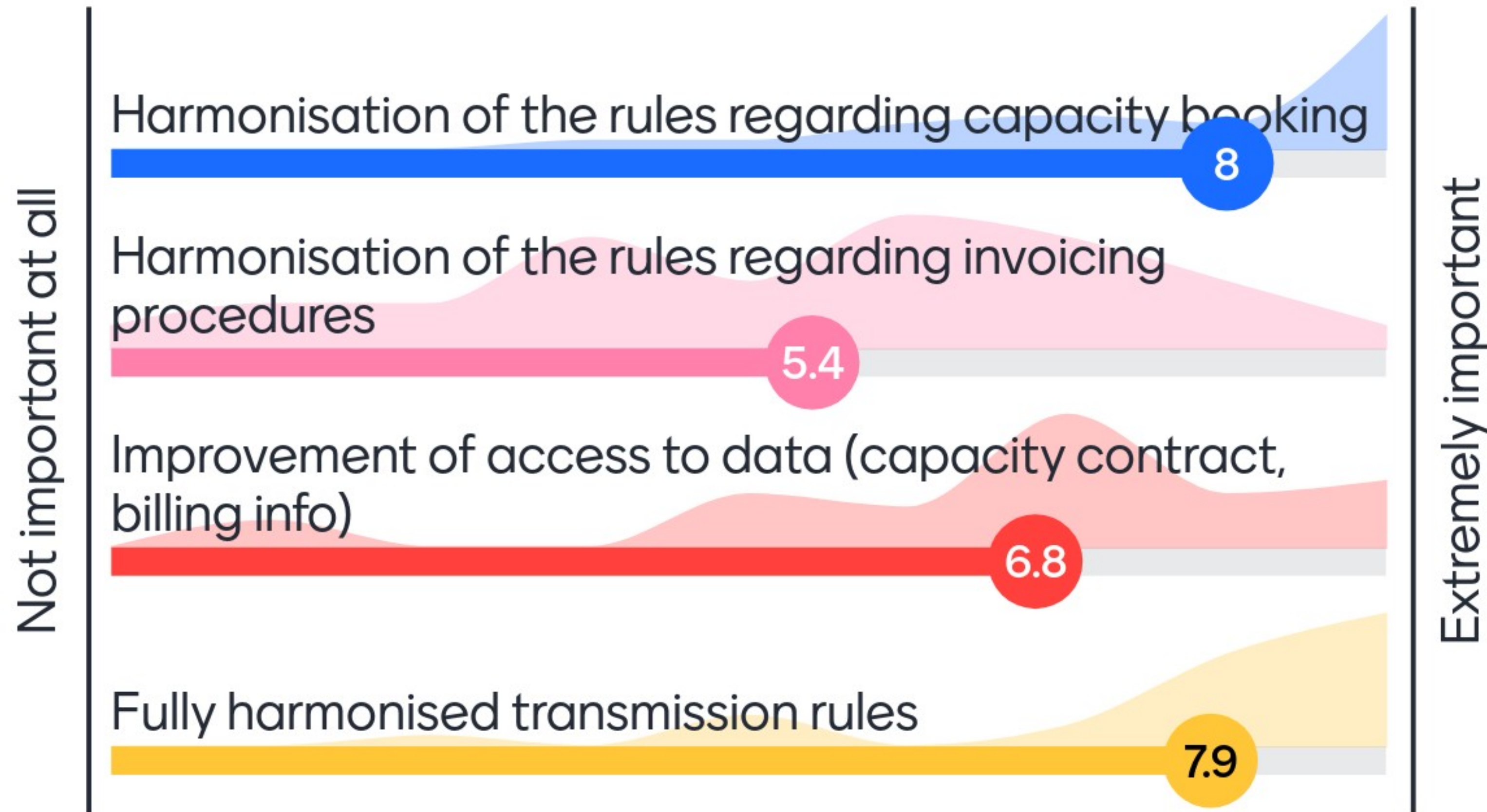
Process for market integration



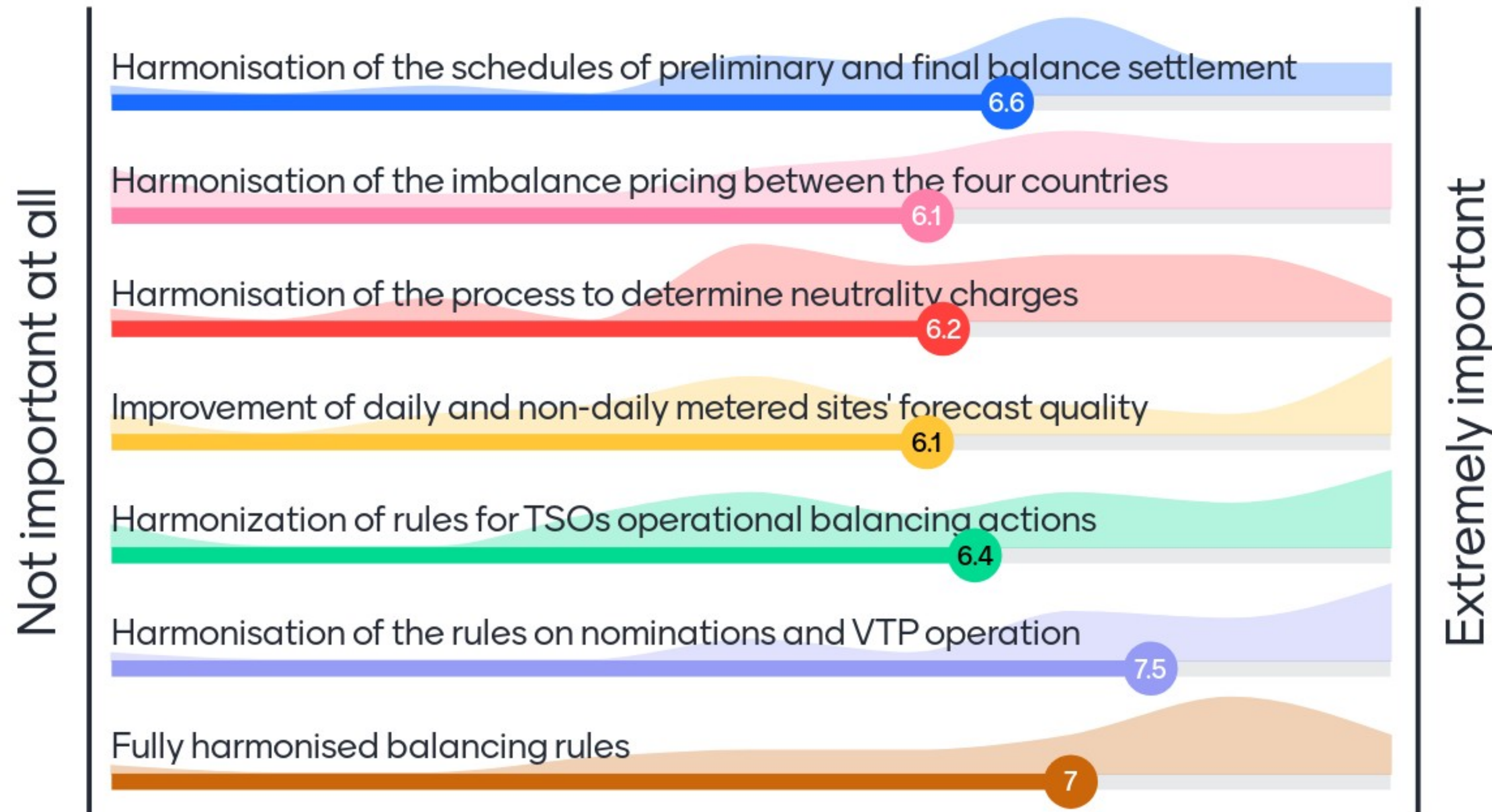
Regional Gas Market Development Workshop

#2

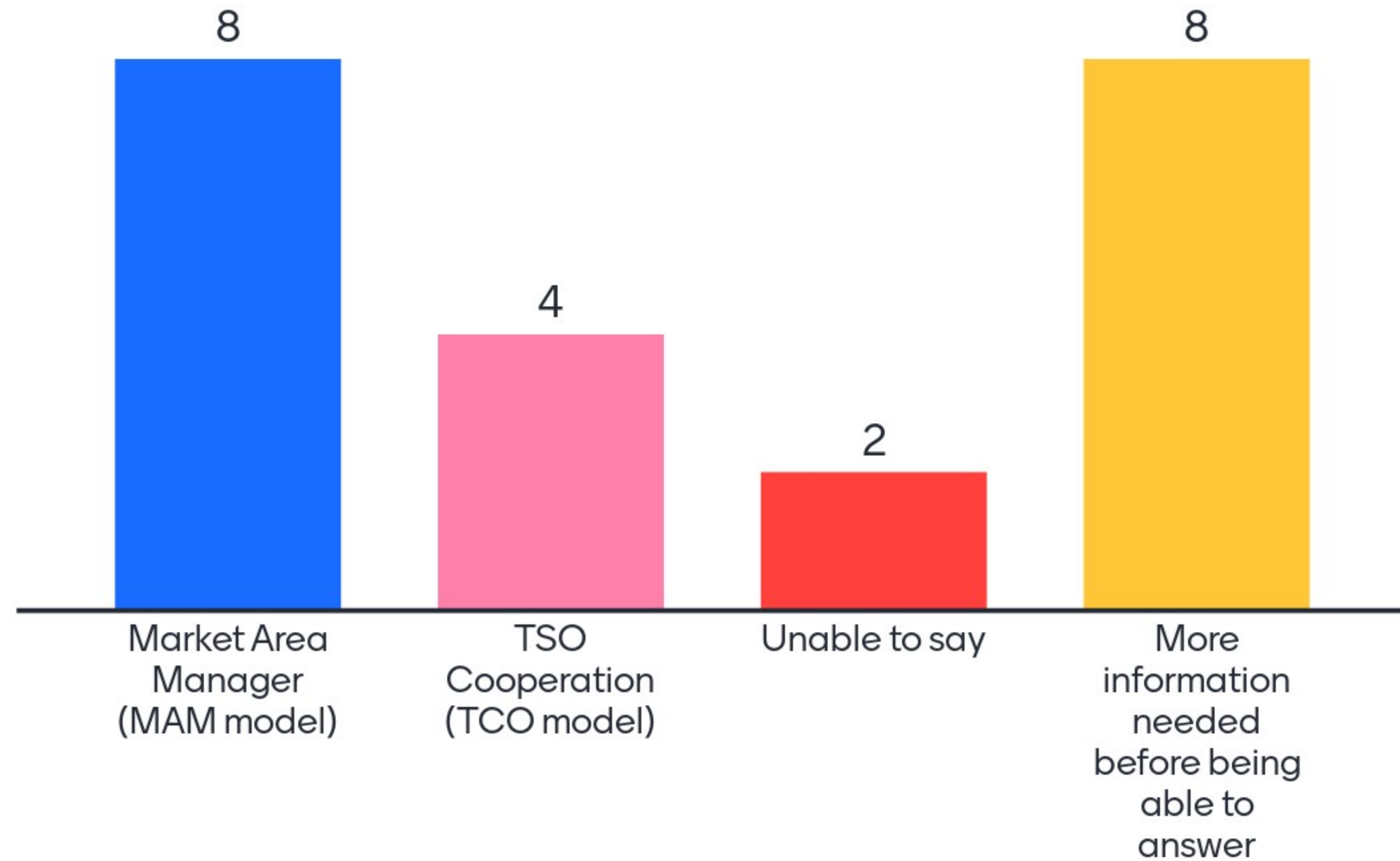
Importance of the following transmission service related topics:



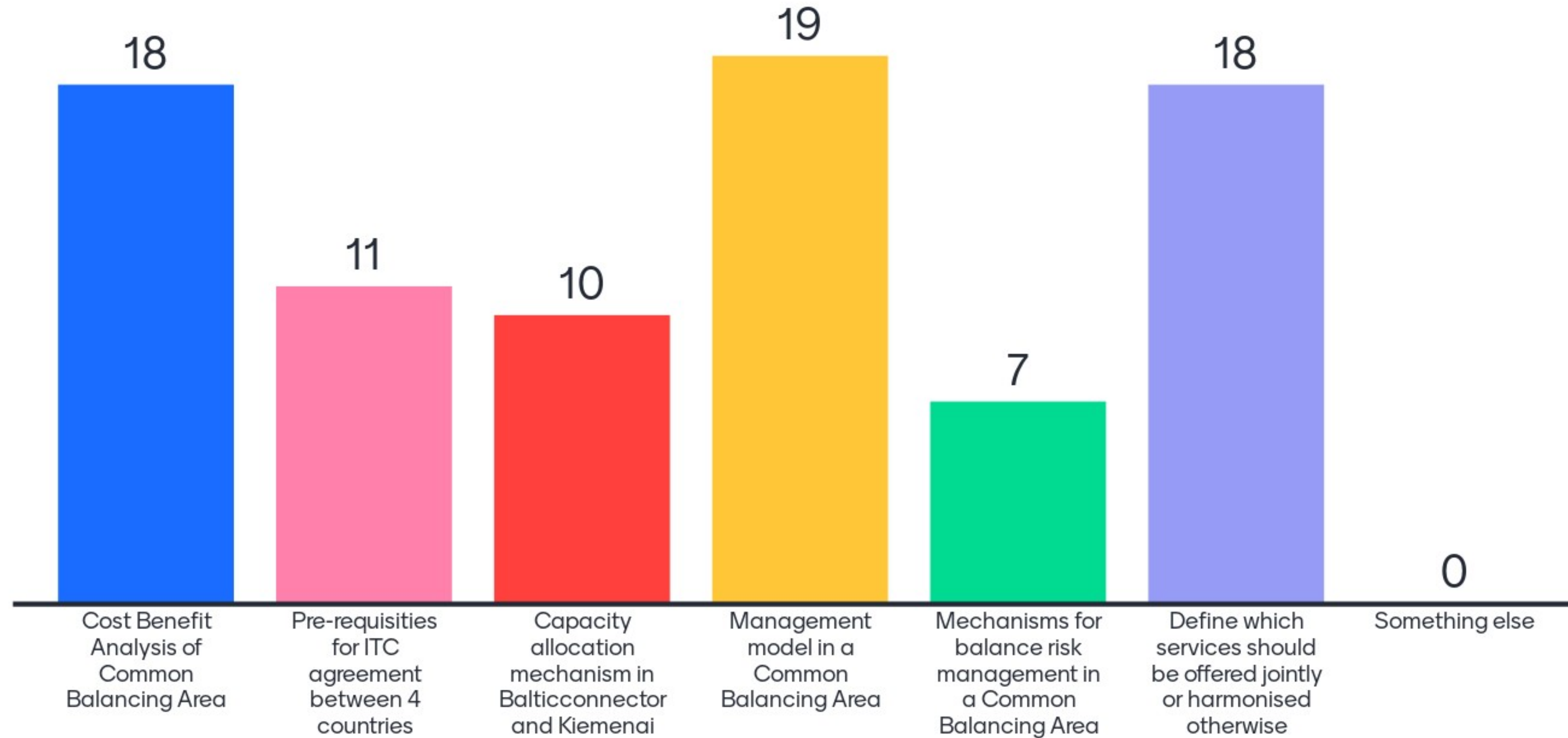
Importance of the following balancing service related topics:



What management model would you select select in a common balancing zone?



What should be further analysed?



Was this Workshop worth your valuable time?

