



JOINT BALANCING ZONE

Swedish and Danish gas markets

JBZ User Group, 13 June 2018

AGENDA

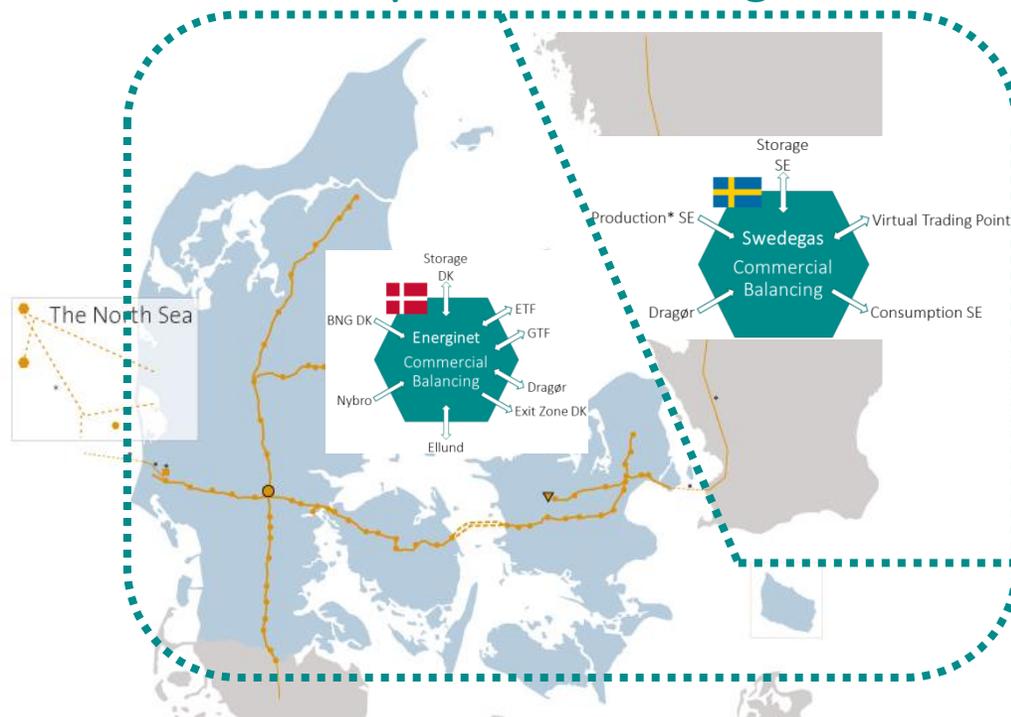
- Joint Balancing Zone
- Time table
- Public consultation
- BAM governance
- Changes to the Swedish balancing model
- Becoming a Balancing Administrator (shipper) in Sweden
- Tariffs structure
- Investments & OPEX
- Communication
- Security of Supply



TWO BALANCING ZONES BECOMES ONE

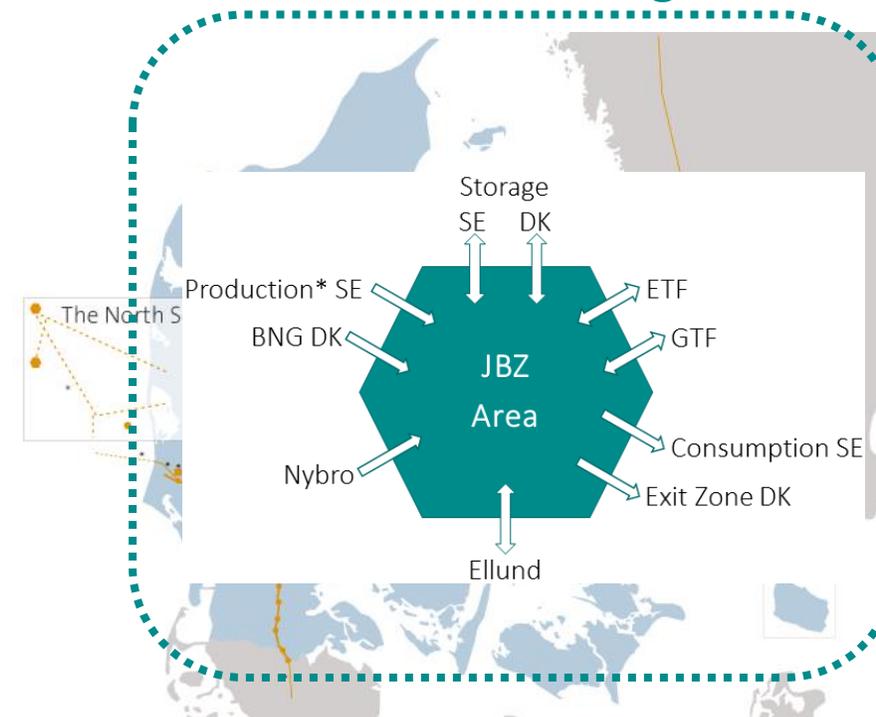
Today

Two separate balancing zones



JBZ

One Joint Balancing Zone

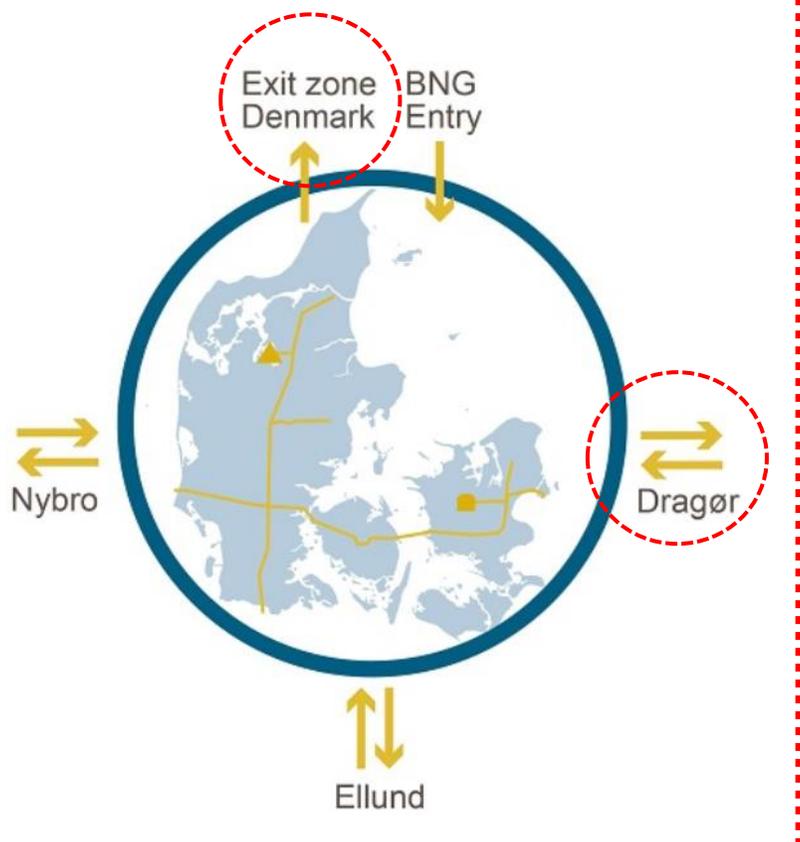


BACKGROUND

EU network code on balancing defines the standard

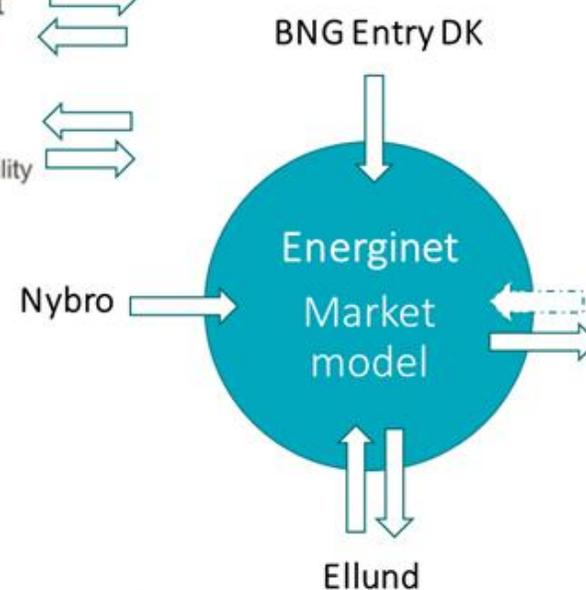
- Swedegas operates under a dispensation from the NC BAL ((EU) No 312/2014)
- Energinet has already implemented the NC BAL. Many of the changes that the Swedish market will experience, have already been implemented in Denmark
- A Joint Balancing Zone is a cost effective way to fulfil NC BAL
- Basis for increased number of market actors to facilitate market competition.
- In line with Gas Target Model and EU harmonization

CAPACITY MODEL



No change in tariff structure
(capacity and volume)

Collective Storage Point
 Virtual points
 GTF – Gas Transfer Facility
 ETF – Exchange Transfer Facility



1. Pooling exit capacity (Sweden and Denmark)
 2. Allocation per shipper per hour:
- Zone Sweden:
New Swedish portfolios (= net Swedish consumption, production and storage)
- Zone Denmark:
Existing DMS and nDMS portfolios

Virtual Exit Zone:
 [Exit Zone Sweden*]
 [Exit Zone Denmark]

* From Sweden there can also be booked interruptible capacity in reverse direction (as Dragør today).

INCREASED FLEXIBILITY FOR SHIPPER/BA'S

Current rules and flexibility of the Exit Zone Denmark will apply for VEZ

- 1) Deadlines for capacity booking – for Swedish netconsumption – will follow the current structure for the Danish Exit Zone
 - E.g. yearly capacity can be booked until 17:00 CET the day before the gas day

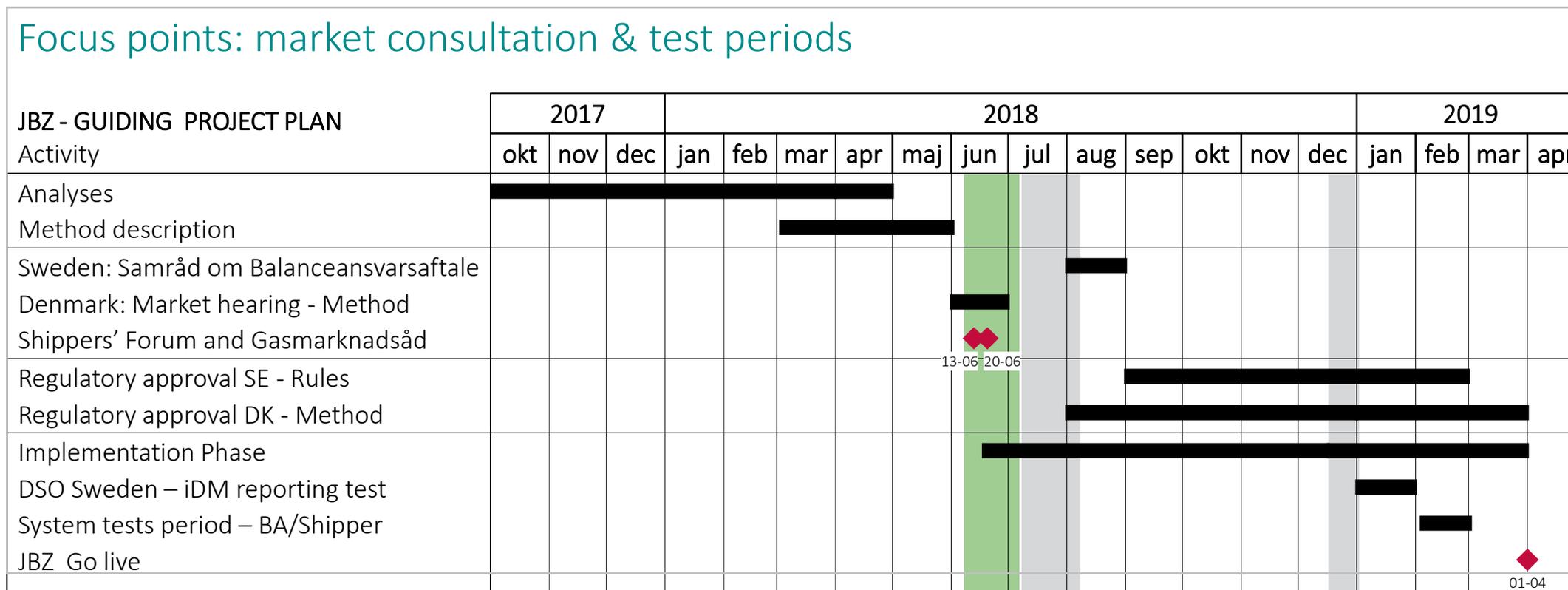
- 2) Size of capacity booking: The method currently applied in the Danish Exit Zone will also be applied for the Virtual Exit Zone – including Swedish netconsumption (Overrun Charge)
 - This means that a shipper that has a flow higher than his capacity will be charged from the missing capacity
 - The charge is for a daily capacities, which are 1.4 compared to a yearly capacity of 1.0

CHANGES TO THE JOINT BALANCING SYSTEM

- The Shippers currently active in the **Danish** market will not experience any major change
 - The method used for calculating the **green band** is not changed, but the parameters included in the calculation will also include the Swedish system
 - During normal condition, the green band will increase as the linepack from Sweden is included
- The Balancing Administrators currently active in the **Swedish** market will experience some changes
 - The free balancing account that they currently have will cease – due to EU regulation
 - The Shippers currently active in the Danish market have gone through the same process
 - Experience shows that the positive aspects of the new commercial balancing regime is:
 - Full transparency - with the shippers balancing positions 5 times a day
 - Low cost (0.5% and 3% vs. 35%) for not being in balance

JBZ – GUIDING PROJECT PLAN

Focus points: market consultation & test periods



PUBLIC CONSULTATION

Forwarded to market on 8th June 2018

Consultation until 6th July 2018

Next steps

- Specific topics will be forwarded for approval by DERA
- Market consultation Sweden – August 2018
- Implementation expected 1 April 2019

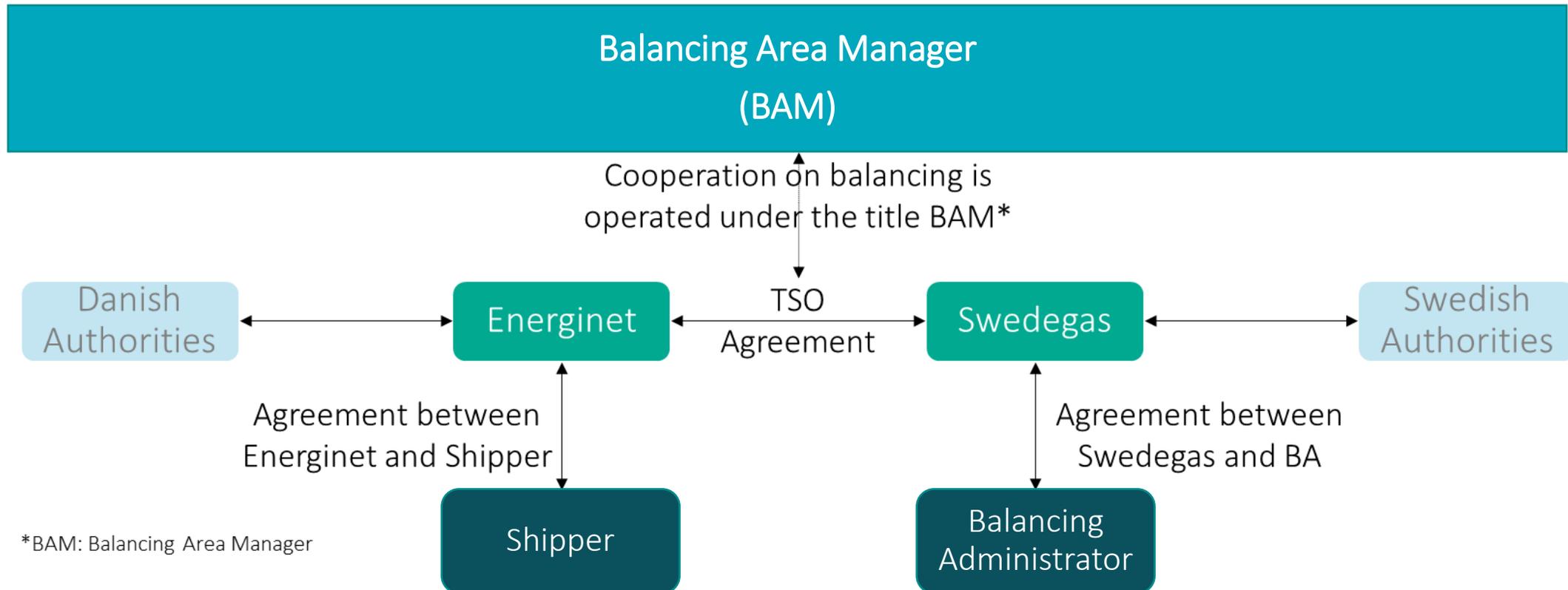
Topics for DERA approval

- New market model
- New balancing model
- Tariffs

ENERGINET	
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BAM GOVERNANCE

The Balancing Area Manager is not a separate legal entity
 BAM is staffed by personnel from Swedegas and Energinet



QUESTIONS



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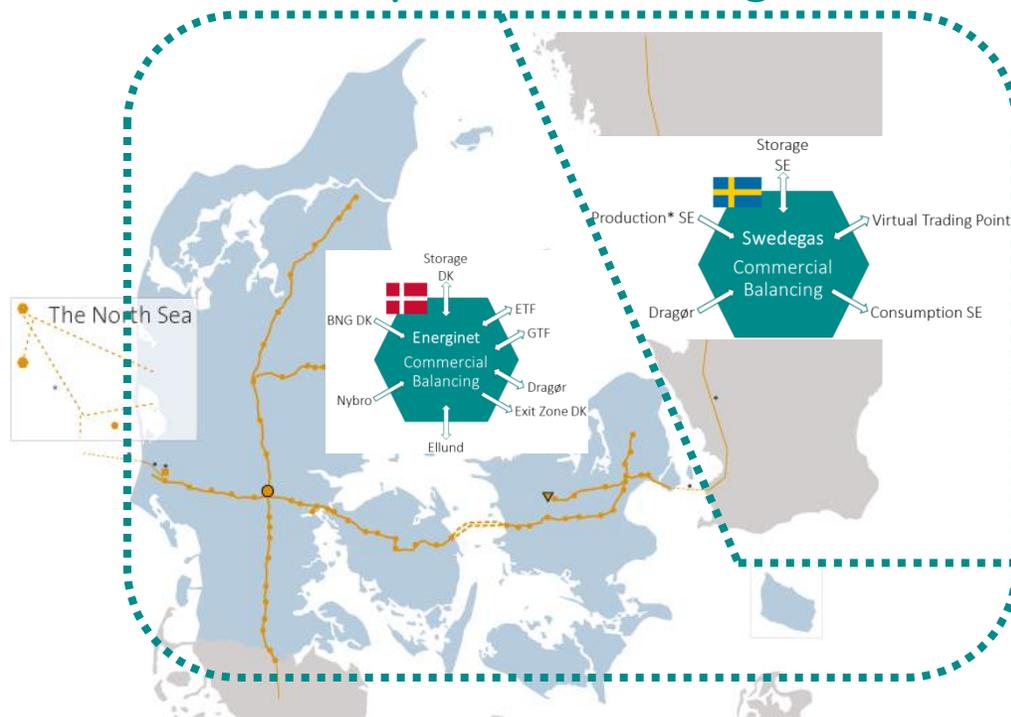
CHANGES TO THE SWEDISH BALANCING MODEL

Geir Sjöholm, Swedegas

JOINT BALANCING ZONE WITH SWEDEN

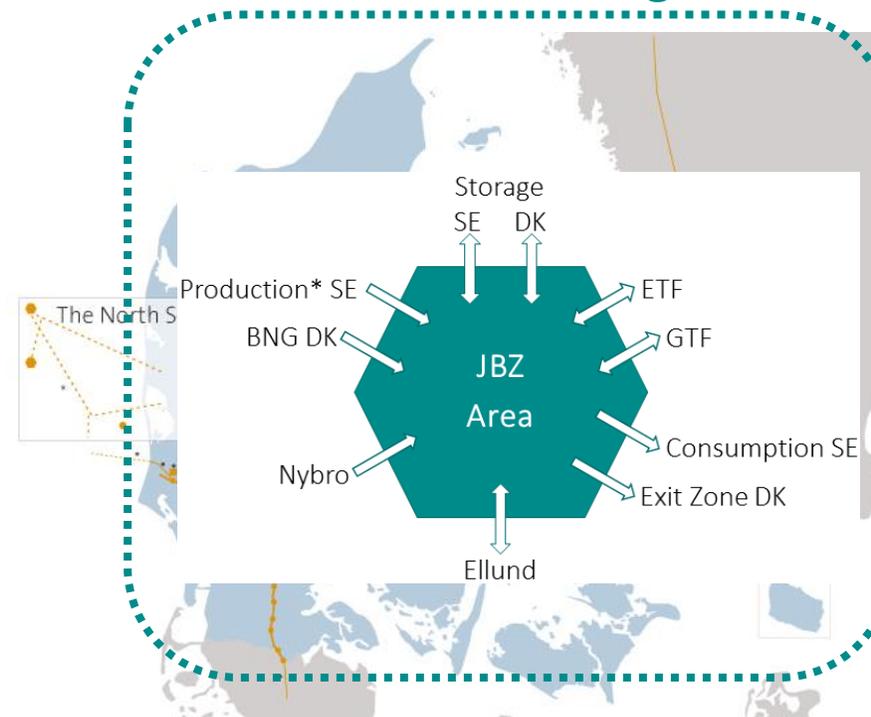
Today

Two separate balancing zones



JBZ

One Joint Balancing Zone



CHANGES TO THE SWEDISH BALANCING MODEL

There will be changes to the Swedish balancing model due to two reasons, firstly demands from the NC BAL and secondly due to the JBZ.

The NC BAL impose the following changes to the current Swedish balancing model:

- Daily settlement of imbalances in the joint market where the current Swedish balancing account will be removed
- Balancing actions will be performed with short term standardised products

The Balance Administrators (BAs) in Sweden have today a balance account (a linepack flexibility service) and the BA is only cashed out for imbalance exceeding the upper or the lower limit of the balance account. This is not in line with the European network code on balancing and the balance account will therefore no longer exist. The balancing actions will be performed with short term standardised products as in Denmark today.

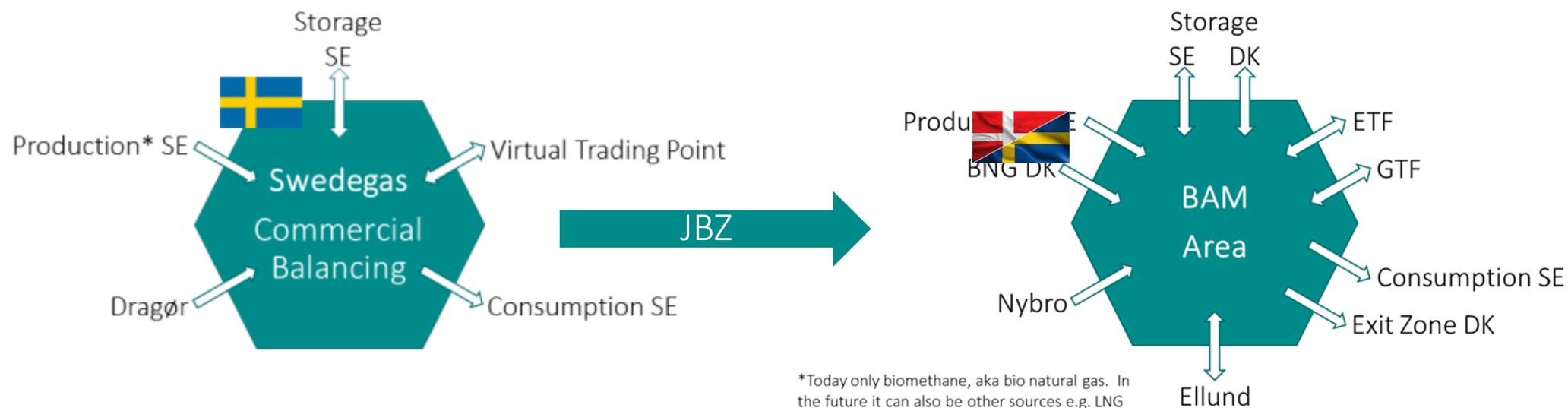
The JBZ will impose the following changes to the current Swedish balancing model:

- Reporting of iDMS consumption data from the DSO's will be increased from two to five times a day
- nDMS portfolios will receive a forecast before the gas day and five updated forecasts during the day.

iDMS is a subcategory of DMS. The remainder of the DMS customer is not included in the Net-work Code and hence Energinet will not receive data for these but will receive a forecast

CHANGES TO THE SWEDISH BALANCING MODEL

Both BAs in the Swedish market and the Shippers in the Danish market need to balance their gas deliveries and offtakes in the same Gas Day. Under the proposed JBZ the current gas deliveries and offtakes in Sweden and Denmark will be merged into one – as illustrated in figure below. Consequently there will be no distinction between BA in Sweden and Shippers in Denmark – concerning commercial balancing JBZ only operate with one role, a Shipper in the joint system (BAM area).



BECOMING A BALANCING ADMINISTRATOR IN SWEDEN

BECOMING A BALANCING ADMINISTRATOR IN SWEDEN

Balancing administrator / Shipper

- The company submits a notification of interest to Swedegas. A registration certificate from the Swedish Companies Registration Office must be enclosed with the notification as well as financial information, such as an annual report and an assessment of supply volumes.
- The applicant registers for payment of energy tax with the Swedish Tax Agency in Ludvika.
- An Ediel application commences by the company signing an Ediel agreement, which is sent in duplicate to Svenska Kraftnät. The applicant is registered and receives an Ediel ID, which is required for identification purposes. If the applicant already holds an Ediel ID, this can be retained. Ediel communication is tested with Swedegas according to the instructions. Following a successful test, Swedegas will inform Svenska Kraftnät that the test was successful. Svenska Kraftnät will then sign and returns a copy of the Ediel agreement, signed by both parties.
- Swedegas confirms the amount of financial collateral following a risk assessment. Guidelines for credit assessment is available on Swedegas homepage.
- Two copies of the balance administrator agreement are sent to the applicant when all the requirements have been satisfied and the financial collateral has been confirmed. The agreements are signed and sent to Swedegas.
- It takes around three months from commencement of the application process until a balance administrator can begin operations.
- <https://www.ediel.se/Portal>
- https://www.ei.se/Documents/Publikationer/foreskrifter/Naturgas/EIFS_2014_8.pdf

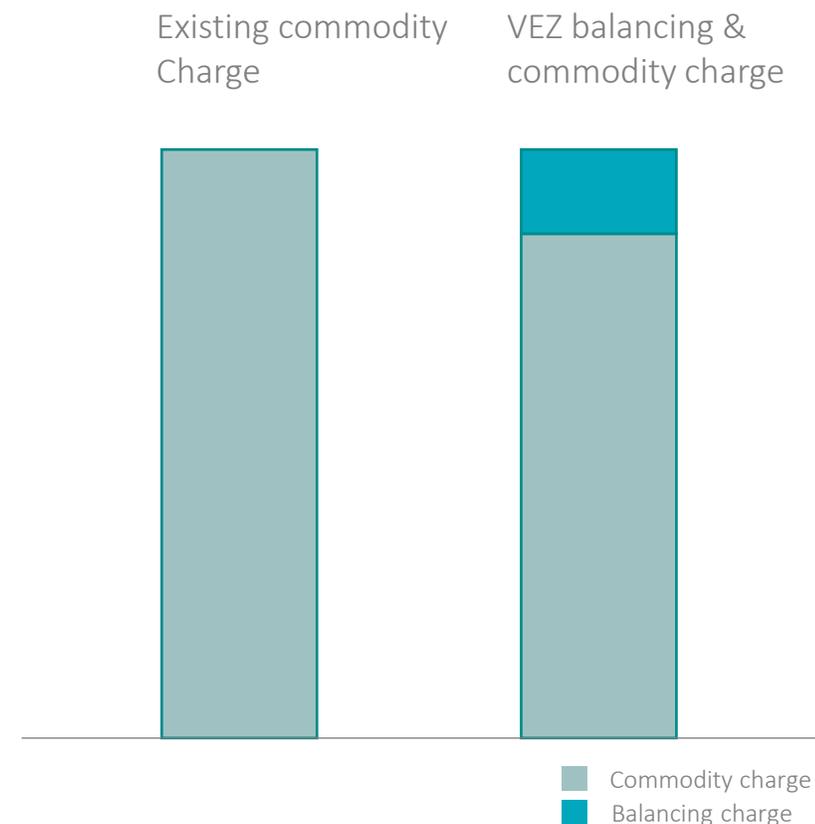
QUESTIONS



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TARIFFS

- **Capacity charge**
 - Current Dragør capacity charge replaced by VEZ capacity charge
- **Balancing charge**
 - A separate balancing charge is split from the commodity charge
 - Covers the cost of operating the commercial balancing
 - Cost level will not increase, but transparency will.
- **Trading of balancing gas**
 - Energinet keeps a separate account for balancing trading
 - No profit or loss from this trade over time
 - To ensure transparency Energinet will present the balance of the account on a regular basis.



INVESTMENTS & OPEX

Energinet does not foresee additional OPEX related to balancing in the Joint Balancing Zone compared to today

There will however be a one-off cost for the IT implementation project. The combined cost from both Swedegas and Energinet is budgeted to 3.6 mDKK.

This one-off cost will be divided between the two TSOs according to the proportion of annual gas consumption in their respective markets

COMMUNICATION

Two markets become one – Sweden and Denmark reach agreement on harmonisation

Press release from 17 May 2018:

“Energinet and Swedegas have decided to make the investments necessary to integrate the gas markets in Sweden and Denmark”

Two markets become one – Sweden and Denmark reach agreement on harmonisation

The Swedish and Danish gas transmission network companies Swedegas and Energinet have decided to make the investments necessary to integrate the gas markets in Sweden and Denmark. This initiative will reinforce security of supply and lead to more participants entering the gas market. It is also in line with the EU's endeavour to harmonise markets within the Union.

Working closely with other gas market bodies – end-users, suppliers, system operators and regulatory authorities in both Sweden and Denmark – the conditions for joint balancing and trade have been analysed in detail during the past year.

Market integration offers several benefits:

- Improved security of supply by merging the transmission systems and as a result becoming more robust and less sensitive to variations
- More gas traders on the market means increased competition, benefitting end-users
- More effective administration.

“This development of the Swedish gas market is taking place with the end-user firmly in focus,” said Johan Zettergren, Swedegas CEO. “Our ambition is to make it straightforward and attractive for industry, the transport sector and households to choose gas, including renewable alternatives.”

The aim is for the joint balancing zone to be operational by April 2019. Discussions are taking place with market organisations to determine which adaptations and adjustments to IT systems and routines will be required as part of the preparatory process.

“A joint balancing zone will make the Danish/Swedish gas market more interesting. We will now begin to develop the solution in collaboration with the market bodies concerned in order to optimise the value,” said Jeppe Dana, Director, Gas System Operator, Energinet.

The project has its own website
<https://en.energinet.dk/Gas/Shippers/Swedegas-Joint-Balancing-Zone>

For further information, please contact Salla Horttanainen, Vice President, Communications, Swedegas, +46 70 622 76 06, or Jeppe Dana, Director, Gas System Operator, Energinet, +45 23 33 88 05.

DEDICATED WEBSITE

One place to find latest news and the complete published material on the topic



TWO MARKETS
BECOME ONE
– Sweden and Denmark
reach agreement on
harmonisation

Keep updated on the
Joint Balancing Zone >>
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<https://en.energinet.dk/Gas/Shippers/Swedegas-Joint-Balancing-Zone>

QUESTIONS



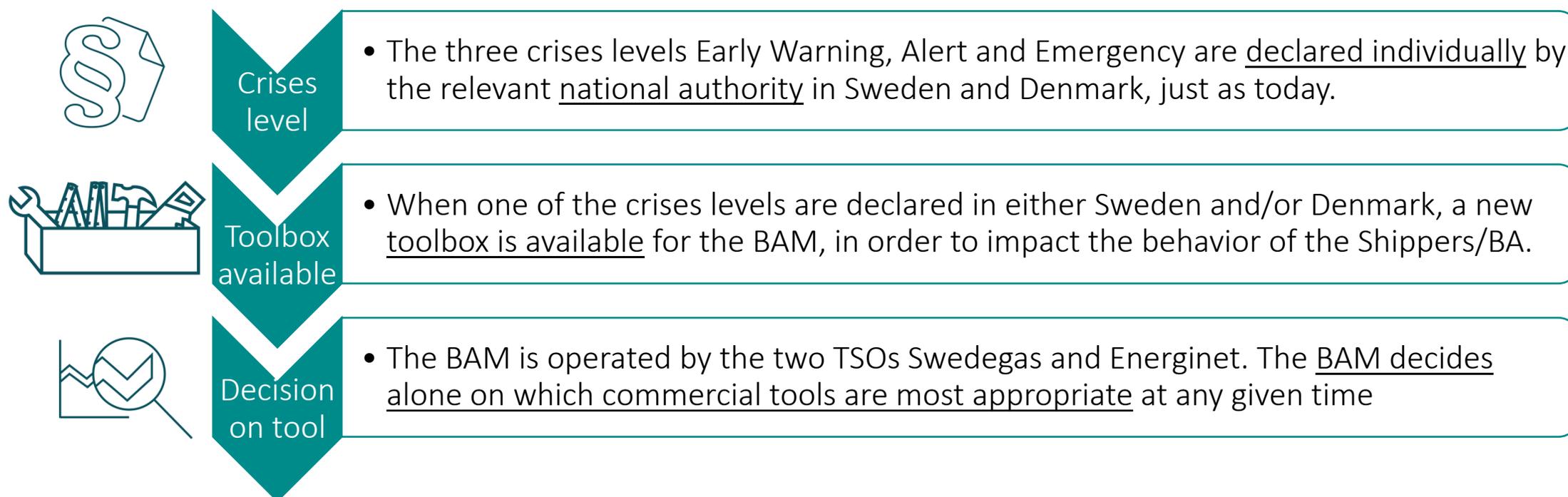
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SECURITY OF SUPPLY

JBZ: PRINCIPLES FOR CRISES LEVELS

How the commercial balancing tools shall work in the JBZ, under the three crises levels
Early Warning, Alert and Emergency



JBZ: CLARIFICATION OF BAM AND TSO TASKS

Tasks of BAM and TSOs under crisis levels



QUESTIONS



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