



# USER GROUP ON EVALUATION OF THE JOINT BALANCING ZONE

26 March 2021, From 10:00 to 12:00

*Poul Jacobsen Energinet, Signe Rasmussen Energinet &  
Geir Sjöholm Nordion Energi*



MUTE YOUR MICROPHONE,  
WHEN YOU DON'T SPEAK



SWITCH ON YOUR CAMERA, ONLY  
WHEN YOU ARE GIVEN THE  
WORD TO SPEAK



USE THE 'RAISE HAND'  
FUNCTION IF YOU WISH TO  
COMMENT OR ASK A  
QUESTION...



...YOU CAN ALSO WRITE YOUR  
QUESTION USING THE CHAT -  
THE HOST WILL ASK THE  
QUESTION FOR YOU



# EVALUATION OF JOINT BALANCING ZONE

We are interested in your opinion on JBZ:

- What is your experience with JBZ?

The regulator also expects an analysis of JBZ:

FSTS forventer endvidere, at Energinet og Swedegas gennemfører en analyse af JBZ efter to års drift for at vurdere markedseffekten af JBZ og gevinster/ulemper (økonomiske og systemmæssige) ved JBZ. Denne analyse bør gennemføres i tæt samarbejde med markedets aktører og efter nærmere aftale med FSTS og Ei. FSTS har afstemt denne forventning med Ei, og Ei vil give udtryk for samme forventning til Swedegas som et element i den svenske godkendelse af JBZ.

Decisions by regulators can be found here:

<https://forsyningstilsynet.dk/gas/afgoerelser/forsyningstilsynet-metodegodkender-joint-balancing-zone-jbz-en-faelles-balanceeringsmodel-for-danmark-og-sverige>

# AGENDA

## Evaluation of JBZ after 2 years of operation

- Why JBZ?
- JBZ Objectives
  - What have been the market effects?
- Shipper experiences
  - What is your experience after 2 years of operation?





# WHY JBZ?

What was the regulatory framework?

What was the reason behind creating JBZ?

# EUROPEAN GAS TARGET MODEL REVIEW AND UPDATE

## REGULATORY FRAMEWORK

- ACER sets the guidance
- Independent body to foster the integration and completion of the European Internal Energy Market for electricity and natural gas.
- Gas Target Model
  - 2011
  - 2015 Updated
- In 2017 Swedish and Danish regulators performed a European Gas Target Model Self-Evaluation report



# ACER PUBLICATION 2015 "GAS MARKET VISION"

- It is crucial that the **right structural framework** exists to allow functioning gas markets to emerge.
- The European gas market will consist of interconnected entry-exit zones with virtual trading points ..., with the **size of each zone being as large as the existing infrastructure allows**.
- As a general rule, entry-exit zones should **not be defined on the basis of national boundaries**, but based on physical realities and market needs.

<https://www.acer.europa.eu/Events/Presentation-of-ACER-Gas-Target-Model-/Documents/European%20Gas%20Target%20Model%20Review%20and%20Update.pdf>

EUROPEAN GAS TARGET MODEL  
REVIEW AND UPDATE



# WHY JBZ?

## Why April 2019?

- Sweden had derogation from the EU network code on balancing (NC BAL) until 1 April 2019
  - New balancing system was therefore needed
- Pragmatic solution was to create the JBZ between Sweden and Denmark
  - Balancing one system rather than two systems
- Larger system is a benefit for both Sweden and Denmark
  - Also in line with the Gas Target Model





# JBZ

## OBJECTIVES

What were the objectives of JBZ?  
Have they been fulfilled?



# JBZ OBJECTIVES

What were the objectives of JBZ?  
Have they been fulfilled?

SWEGAS

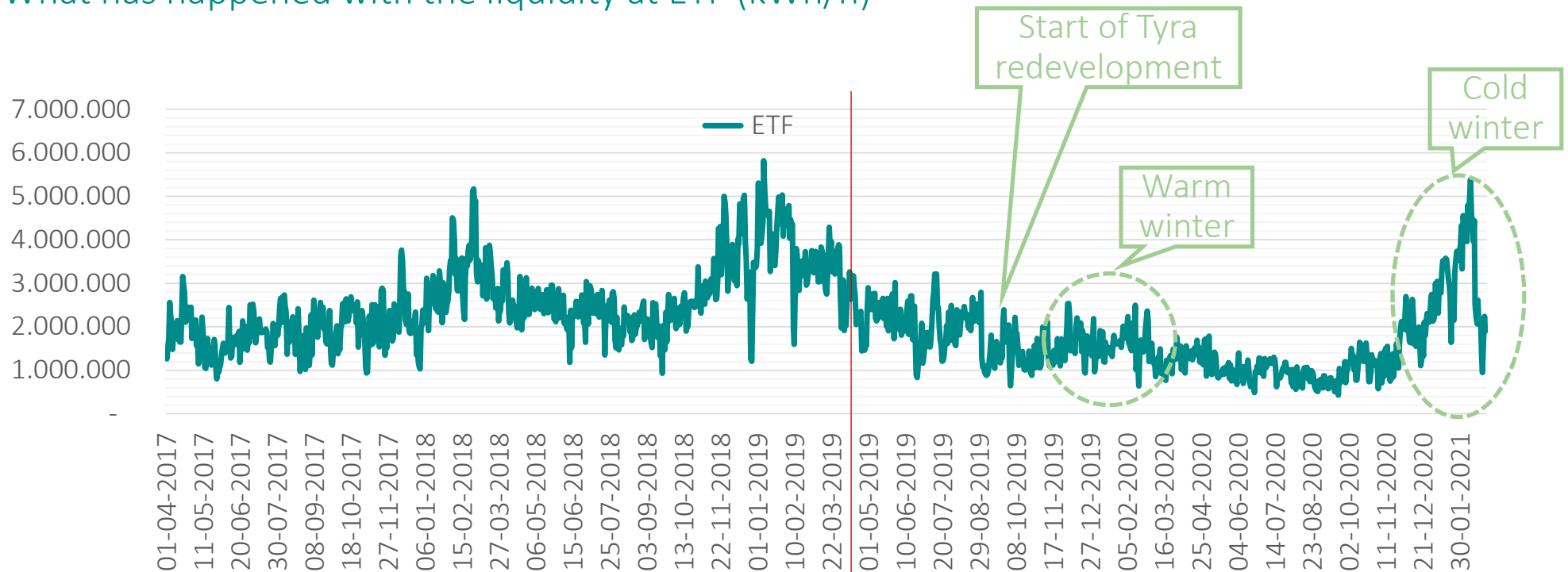
ENERGINET

1. Increase liquidity at the gas exchange (ETF)
2. Increase transparency by introducing a separate balancing charge
3. Simplify daily capacity optimisation
4. More balancing responsible in Sweden
5. Increased SoS – via a higher pressure in the Swedegas gas system

# # 1

## ETF DEVELOPMENT IN LIQUIDITY

What has happened with the liquidity at ETF (kWh/h)

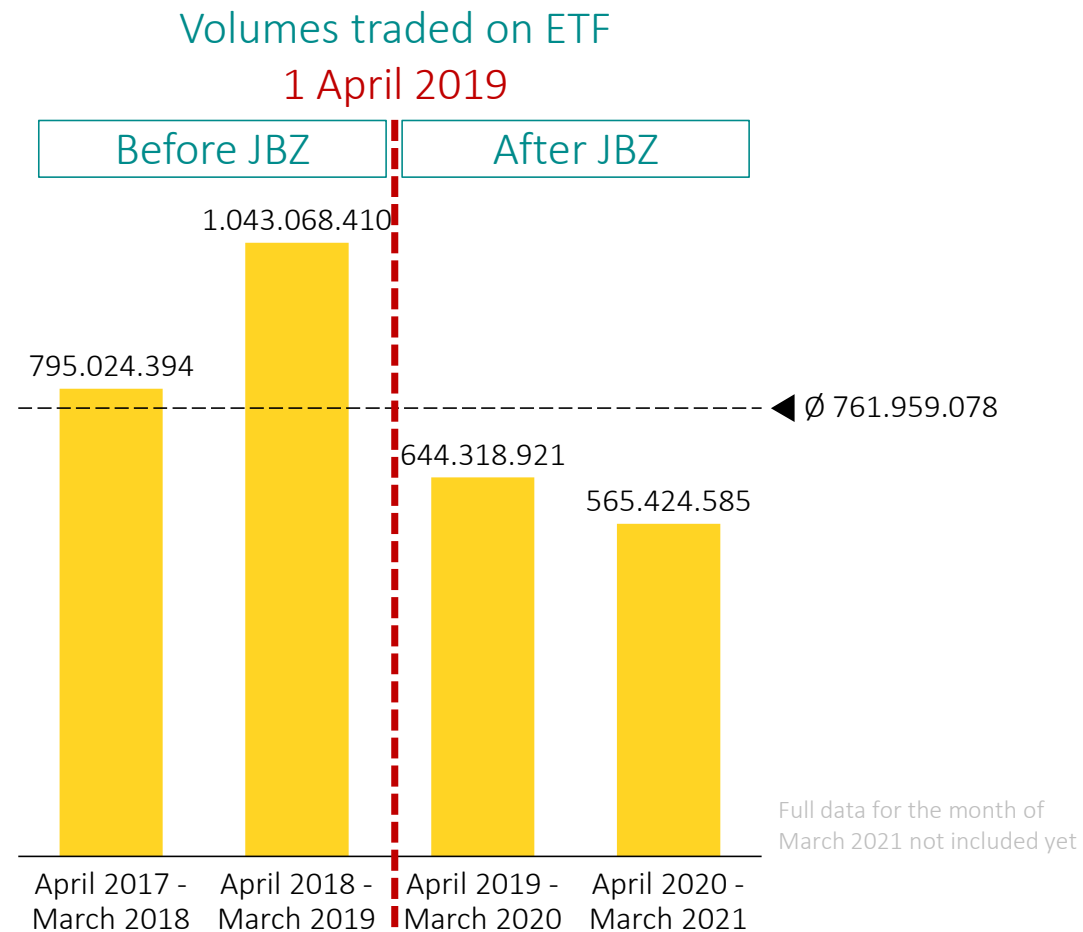


# # 1 ETF DEVELOPMENT

Expected an increase in ETF volumes

Why has there been a decrease in ETF?

- Liquidity at ETF has increased since the introduction of the balancing model in 2014
- This was expected to continue after JBZ
- Economist like to say: “Ceteris paribus” or “all other things being equal”
- But, all other things have – not – been equal:
  - Tyra redevelopment has significantly changed the gas flows and by this also the commercial dynamics – resulted in reduced volumes on ETF
  - Warm winter 2019/20 reduced the volumes
  - Cold winter 2020/21 increased the volumes





# # 2

## BALANCING

Two set of numbers on balancing

### Balancing charge

- Is to cover the indirect balancing costs, which are the costs necessary to establish a system that enables the TSO to follow the individual shippers/BAs balance in JBZ.
- Covers the cost of operating the commercial balancing (IT and people)
- A separate balancing charge that was split from the commodity charge
- Introduced to increase transparency

### Commercial Balancing

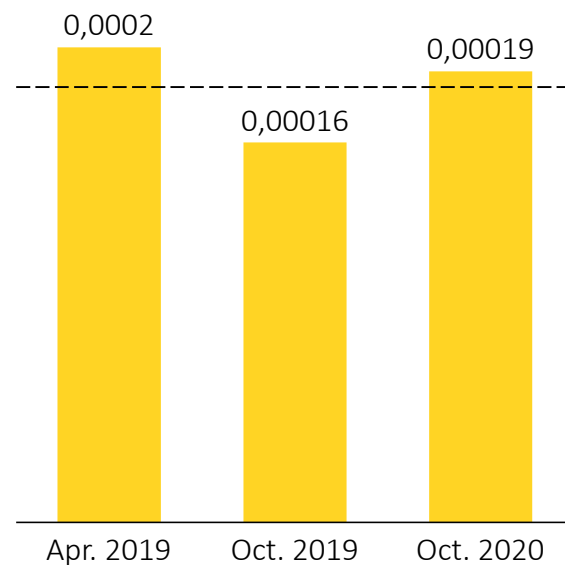
- Keep a separate account for energy balance trades
- Cost neutral: There shall be no profit or loss from this trade over time
- Included is e.g.:
  - Cash-out (end of day)
  - Yellow zone trades

## # 2 BALANCING CHARGE

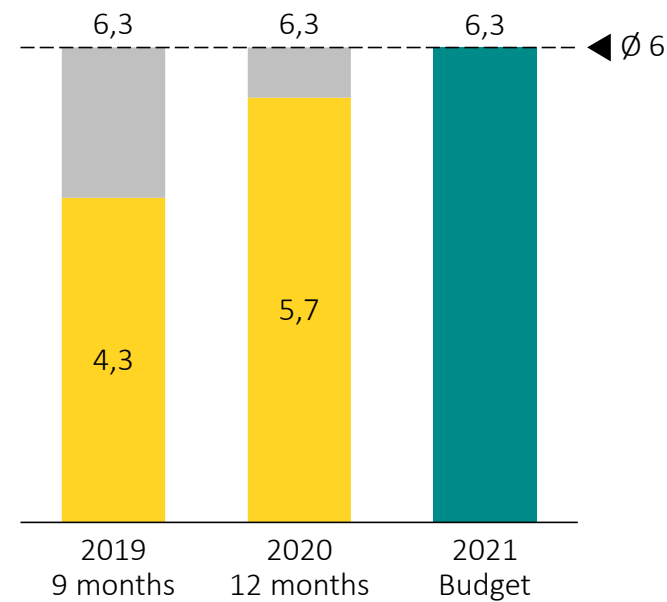
Inspired by Swedegas - introduced to increase transparency

A volume charge, to cover the fixed costs, of operating the balancing market

Balancing charge in DKK/kWh



Balancing Charge, total revenue M DKK

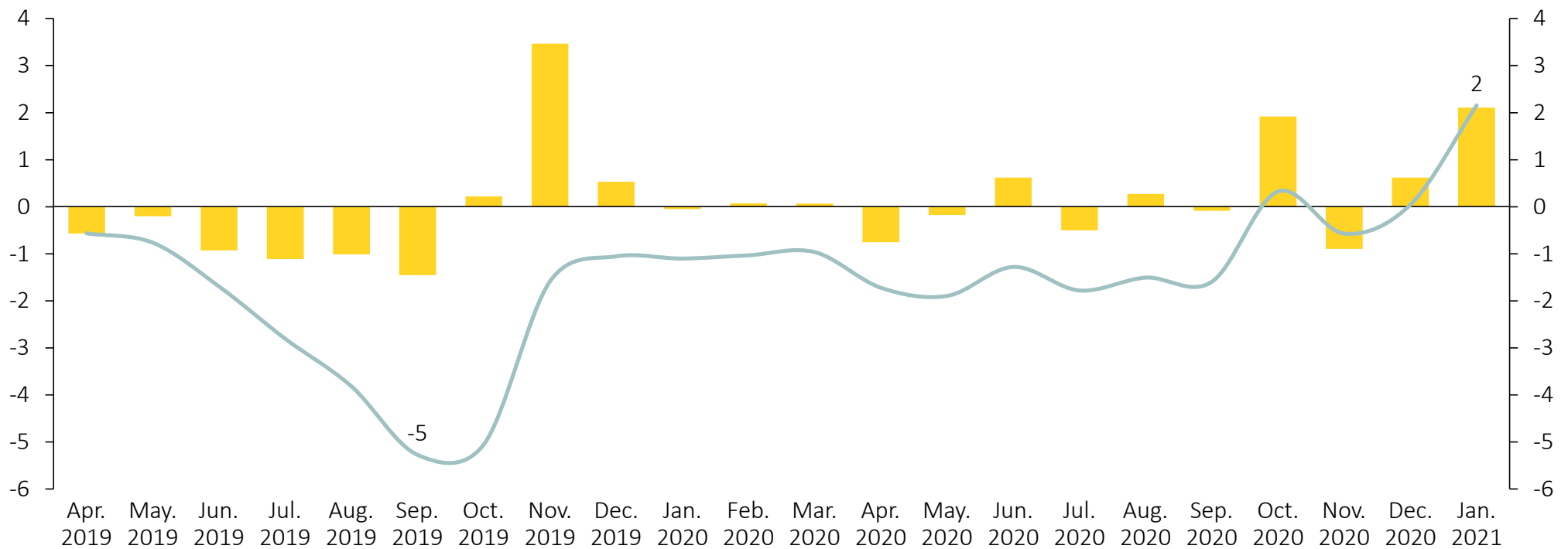


## # 2

## COMMERCIAL BALANCING - COST NEUTRAL

Monthly and accumulated results (MDKK)

Negative number in the beginning accumulated to over -5 MDKK but have been recovered



# # 3

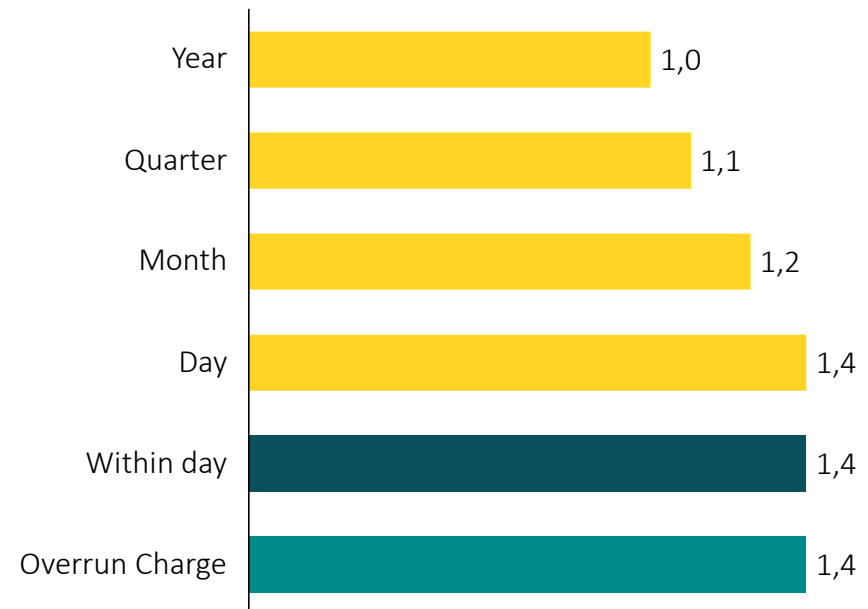
## CAPACITY PRODUCTS

Shippers can optimise their capacity products via the products in the figure  
JBZ also gave increased flexibility to the Swedish market

- Creating a Virtual Exit Zone (VEZ) meant:
  - Overrun charges (automatic delivery of capacity allocations, when needed)
  - Flexible deadlines for booking capacities
- New: Pooling of capacities for gas used in Sweden and Denmark



- If the Overrun Charge is used, then this should lead to a reduction in Day capacity



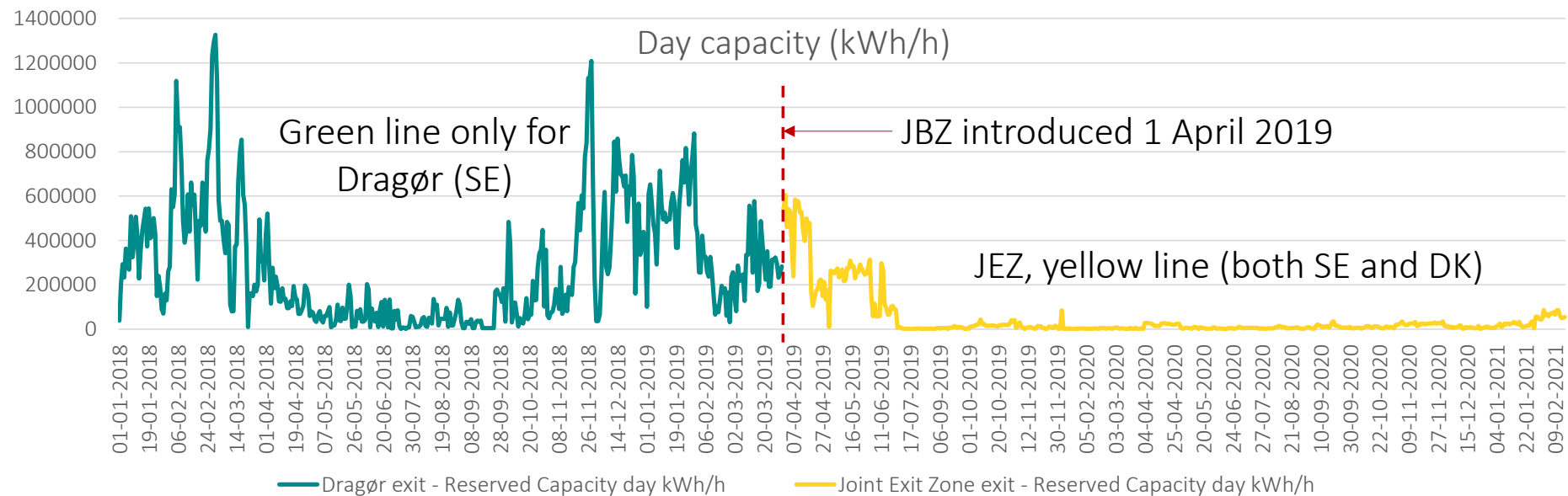


# # 3

## DAY CAPACITY - RESERVED

Significant fall in demand for daily capacity in Sweden, after JEZ

Overrun charge (daily product) was introduced to Swedish market together with JBZ

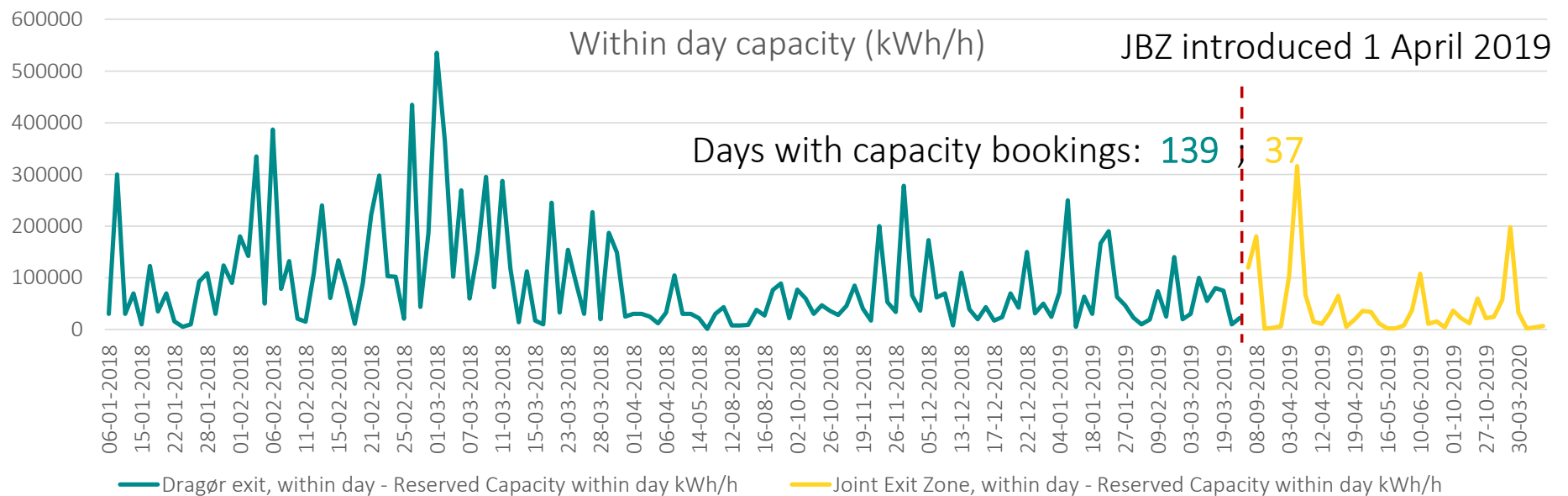


# # 3

## WITHIN DAY CAPACITY - RESERVED

Fall in demand for within daily capacity in Sweden, after JBZ

Overrun charge (daily product) was introduced to Swedish market together with JBZ

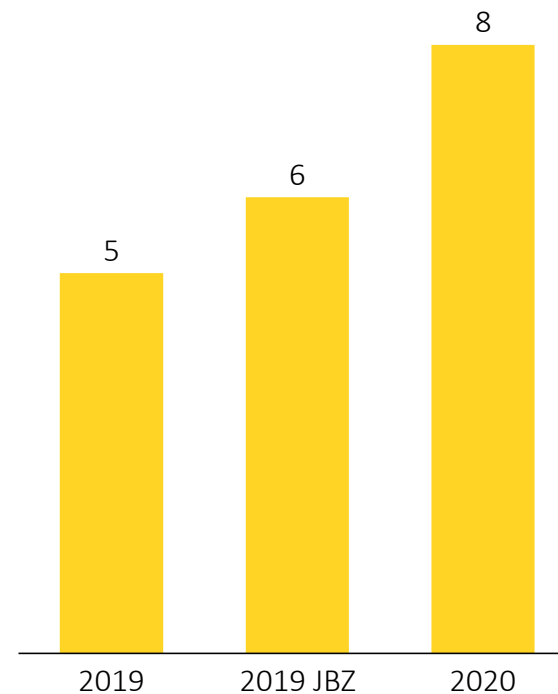


## # 4

## BALANCING RESPONSIBLE IN SWEDEN

Number of balancing responsible has increased in Sweden after the introduction of JBZ

- It was expected that the suppliers in Sweden would get access to more Balance Administrators
- The number of Balance Administrators has increased in Sweden
  - One new in 2019
  - Two new in 2020

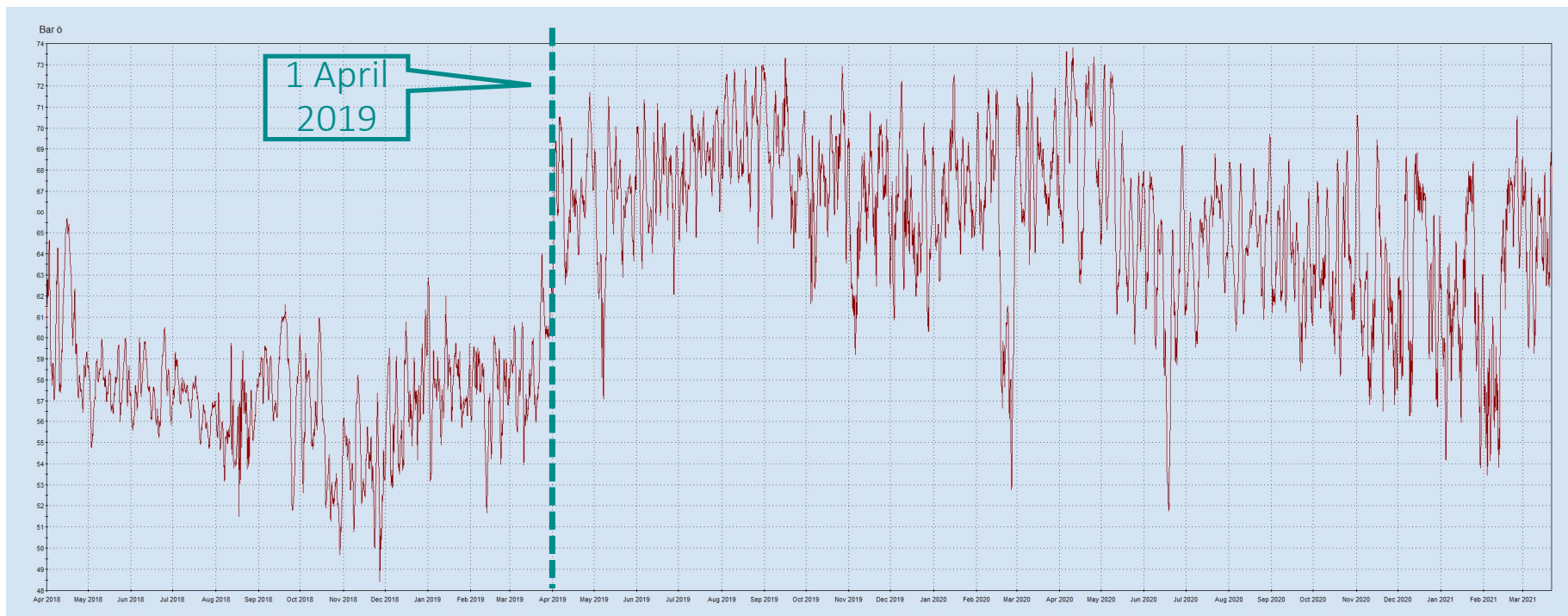


## # 5

## INCREASED SECURITY OF SUPPLY

Opening the valve in Dragør creates a higher pressure in Sweden

The figure shows the increase in the average pressure in the Swedish system







# SHIPPER EXPERIENCES

Comments?

What is the positive?

What is the negative?



# SHIPPER EXPERIENCES

Comments?

What is the positive?

What is the negative?

Raise hand, chat (or email until 14 April 2021)

Topics

- ...

PAUSE

