

THE DIFFERENCES BETWEEN DAILY AND MONTHLY GAS BALANCING

4th UKRAINIAN GAS FORUM

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INTRODUCTION

Who are we?

- On energy markets specialized IT service provider and consultant since 2008
- Develop, implement and support IT platforms:
 - Commercial Dispatching (TSOs, SSOs)
 - Balancing, Trading and Exchange Platform solutions
 - Communication (AS4, REMIT) tools
 - Trading (ETRM) solutions
- 150 IT projects in 10 countries in 10 years
- References from Switzerland, Czech Republic, Croatia, Romania, and Hungary
- More than 2570 satisfied users
- www.ipsystems.hu



AGENDA

- 1 INTRODUCTION**
- 2 FUNDAMENTALS OF THE DAILY BALANCING IMPLEMENTATION**
- 3 DAILY VS. MONTHLY BALANCING – CASE OF HUNGARY**
- 4 CONCLUSIONS – PROS OF THE DAILY BALANCING**

FUNDAMENTALS OF THE DAILY BALANCING IMPLEMENTATION

There two sides of the balancing model

SYSTEM IMBALANCE MANAGEMENT (PHYSICAL)

TSO

- The maintenance of the physical system stability during network operation

PORTFOLIO MANAGEMENT (COMMERCIAL)

TRADER

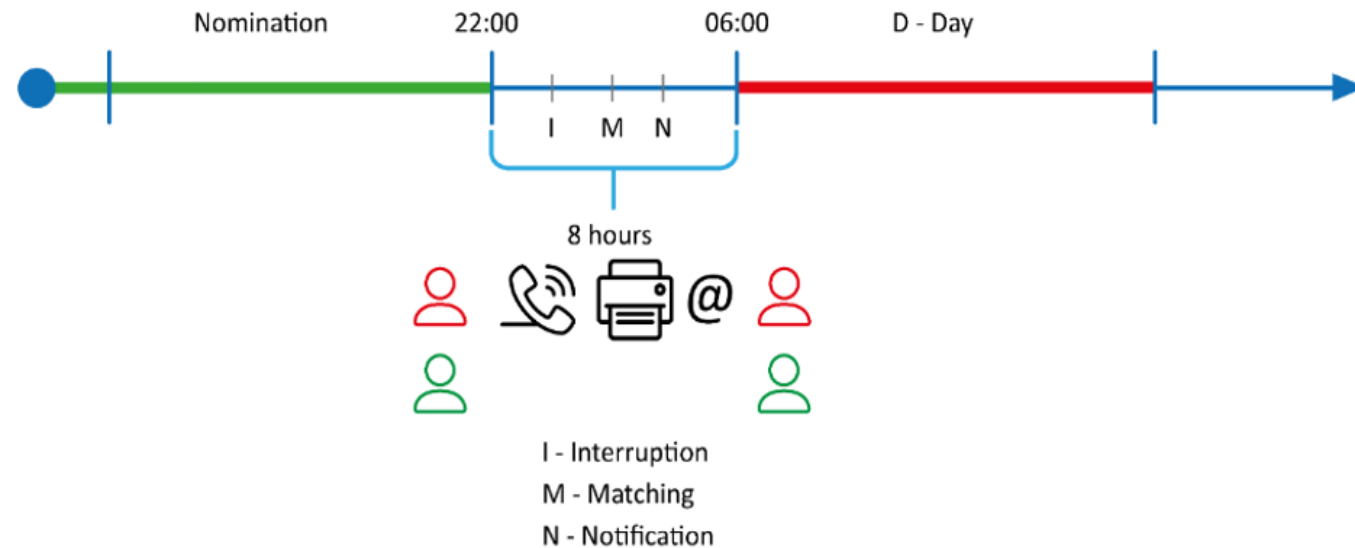
- The ex-post commercial process when individual deviations are cleared

„...The shipper shall take primary responsibility to balance their portfolios in order to minimise the need for TSOs to undertake balancing actions...” (Balancing NC)

BEFORE LIBERALIZATION – SIMPLE BUT INEFFICIENT PROCESSES

TSO bore responsibility, even for those processes which were not core activity of the TSO

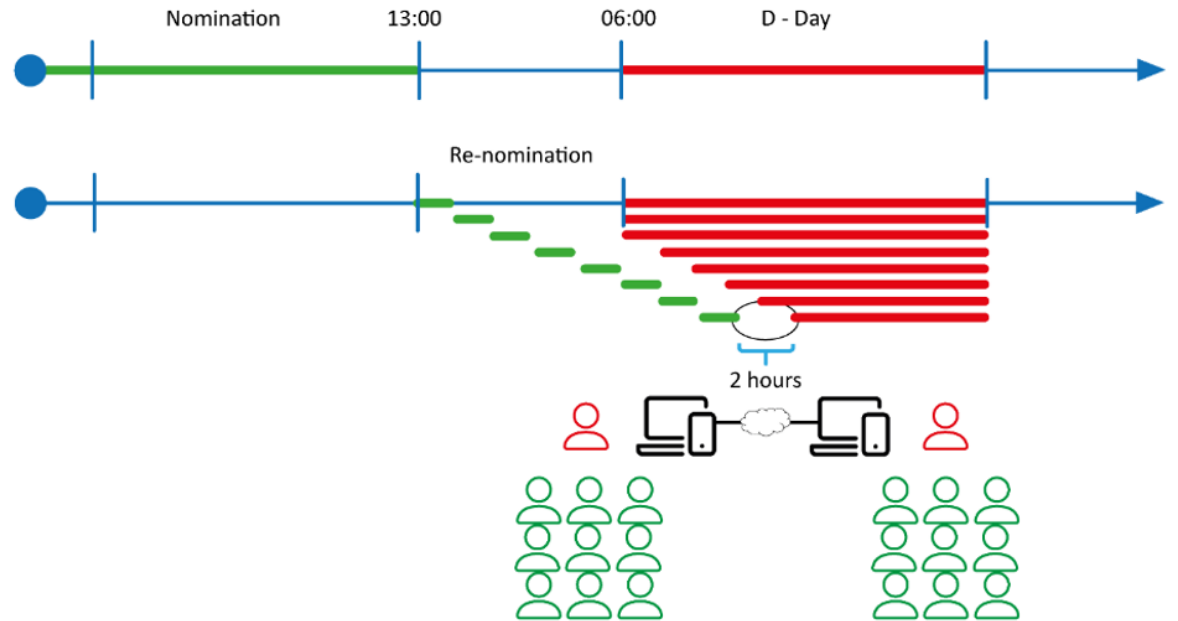
- Almost the entire gas market was controlled by one entity (MOL)
- One trader had the import rights and took all cross border capacities
- It was easy to handle the business processes
- Nomination and matching - there was daily one item to manage
- Allocation - complaints were handled within the company (not transparent)
- Balancing - only on physical level
- Communication
 - phone, fax, email



INTRODUCTION OF COMPLEX, BUT EFFICIENT MARKET

Market participants bare core responsibility for system balance

- Hourly nominations and allocations
- Continuous hourly renominations
- Industrial consumers are obliged to enter free market, others are allowed to change
- Commercial and physical balancing is split:
 - Hungarian Gas Balancing Point
- Daily Natural Gas & Capacity Market
- Auctioning Systems for capacity allocation – RBP
- Settlement unit changed from MJ (15/15) to kWh (25/0)
- Very short time frames for communication
- Additional TSO tasks:
 - Operation of the balancing and capacity allocation platforms
 - Supplementing and administering commercial balancing



CONCLUSIONS

There are clear long-term benefits both for the TSO and the market from operating in the daily regime

- An increase in information transparency
- Improvement of liquidity in the traded market
- Reduction of the system imbalance
- Reduction in the costs of balancing for the TSO
- Better economic signals from within-day market response and timely investment decisions
- Cost-reflective cash-out prices based on the cost the TSO actually incurs in bringing its system into balance

THANK YOU FOR YOUR ATTENTION!

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