

## UNC Modification Proposals 0541, 0541A and 0541B

National Grid NTS views in respect of Gazprom presentation “Explaining how long and short imbalances work with application of Option A Gas Day algorithm” from 10<sup>th</sup> November 2015.  
<http://www.gasgovernance.co.uk/sites/default/files/Mod%200541B%20Imbalance%20examples.pdf>

### Gazprom Conclusions

“Time Shift Mismatches are an inefficiency to both shippers AND National Grid”

- Our interpretation is that Gazprom believes that in the existing regime it is inefficient for National Grid NTS to apply Balancing Incentives to imbalance drivers that cannot be controlled by Shippers
- *We are unclear how the operating the existing imbalance regime represents an inefficiency for National Grid.*
- *The TSO is required by the EU Balancing Code to determine Shipper imbalance over a 05:00 to 05:00 gas day.*
- *Noting that the proposed 0541B regime advocates additional processes to effectively rework all Shippers’ imbalance positions through neutrality (post initial neutrality invoices), there is a justifiable argument that it is in fact Mod Proposal 0541B which advocates inefficiency.*

“1<sup>st</sup> example shows that formula can separate real imbalances from Synthetic Imbalances”

- Our interpretation is that Gazprom believes that its Proposal effectively isolates uncontrollable imbalance risk from controllable imbalance risk
- *We recognise that the proposed formula is capable of determining a gas volume equal to the difference in flow within the 05:00 to 06:00 hour bar, day to day.*
- *The term ‘synthetic’ is predicated on the basis that such volumes are not reasonably able to be forecast or determined by relevant Shippers and it is the role of the Proposer to adequately demonstrate this is the case to Ofgem.*

“2<sup>nd</sup> example shows that NGG cannot apply balancing charges based on real physical imbalances to the system”.

- Our interpretation is that Gazprom believes that the existing regime may give rise to a scenario whereby the Shipper’s expectation of imbalance fortuitously does not materialise, however the SO is not able to apply imbalance incentives
- *User imbalance is determined on the basis of the difference between its inputs and outputs to the Total System, not the difference between its nominations and allocations at entry points (or indeed any other individual point).*
- *A driver for imbalance may be the difference between the Shipper’s expectation (nomination) and the reality (allocation).*
- *The example illustrates that that in the proposed regime a User’s nomination volume may fortuitously be equal to its entry allocation.*
- *The illustration shows that from a TSO perspective, the User’s expectation (nomination) was 240 and the reality (allocation) was 240 hence appropriately there were no imbalance costs attributable to this.*

“– Allowing for shippers to pay for real imbalances only, would mean shippers cannot benefit from Synthetic Imbalances, as they would in the 2<sup>nd</sup> example”

- Our interpretation is that Gazprom believes that it is not appropriate for Shippers to avoid imbalance costs attributable to uncontrollable imbalance in the event that it fortuitously reduces imbalance risk.
- *The term ‘synthetic’ is predicated on the basis that such volumes are not reasonably able to be forecast or determined by relevant Shippers and it is the role of the Proposer to adequately demonstrate this is the case to Ofgem.*