

## EEX Trader Workshop

# Coming-of-age for GABi Gas – procurement of control energy via EEX and its consequences for the German balancing regime

Dirk-Christof Stüdemann,  
EFET Deutschland  
German Task Force Gas,  
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[d.stuedemann@enbw.com](mailto:d.stuedemann@enbw.com)



# Factors for GABi's coming-of-age

(GABi: Grundmodell der Ausgleichleistungen und Bilanzierungsregeln)



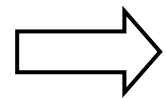
- Recent developments in control energy procurement – especially by NCG via EEX
- In general: Need to take into account of market development
- Follow-up of continuous EFET Deutschland work on the balancing and control energy issues
- Part of experiences gathered and made with GABi Gas so far – review of the gas year 2008/2009
- Negative financial effects/risks by the close connection between control energy procurement costs and the control energy levy for market participants
- Balancing energy price, price of control energy levy and the level of structuring levies are interconnected

# Overall EFET Deutschland position on control energy procurement

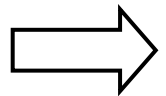
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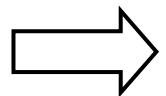
Mid-term vision on market-based control energy procurement via within-day trading (in Germany via the EEX)



More liquidity accesses the market



Prices for control energy and balancing energy price are based on a national reference price (rational vs. synthetic price calculation)



Market participants can easily offer control energy without additional transaction costs

## Why does EFET Deutschland see GABi Gas in need for change?

**„It´s the economics, stupid!“**

(Quote slightly changed and borrowed from the 1992 Clinton presidential campaign)

# GABi Gas on balancing energy price calculation



- The prices in €/MWh at the following trading points shall apply as reference prices for the respective gas day:
  - [APX TTF DAM All-Day Index CET \(€/MWh\)](#)
  - [APX ZEE DAM All-Day Index CET \(p/Therm\)](#)
  - [APX Gas UK OCM SAP \(p/Therm\)](#)
  - [\[NCG\] one day ahead](#), for the gas day on the trading day directly preceding the gas day
- The balancing group network operator shall pay a charge amounting to the second lowest selling price of the reference prices multiplied by 0.9 to the balancing group manager if the entry quantities exceed the exit quantities ("negative balancing energy").
- **The balancing group manager shall pay a charge amounting to the second highest purchasing price of the reference prices multiplied by 1.1 to the balancing group network operator if the exit quantities exceed the entry quantities ("positive balancing energy").**
- The balancing group network operator is authorized to temporarily disregard the reference prices of one or several trading points for calculating the balancing energy prices if the balancing group network operator determines that the price information taken as a basis is not suitably adequate for specific reasons.

Source: <http://www.apxgroup.com/index.php?id=79>

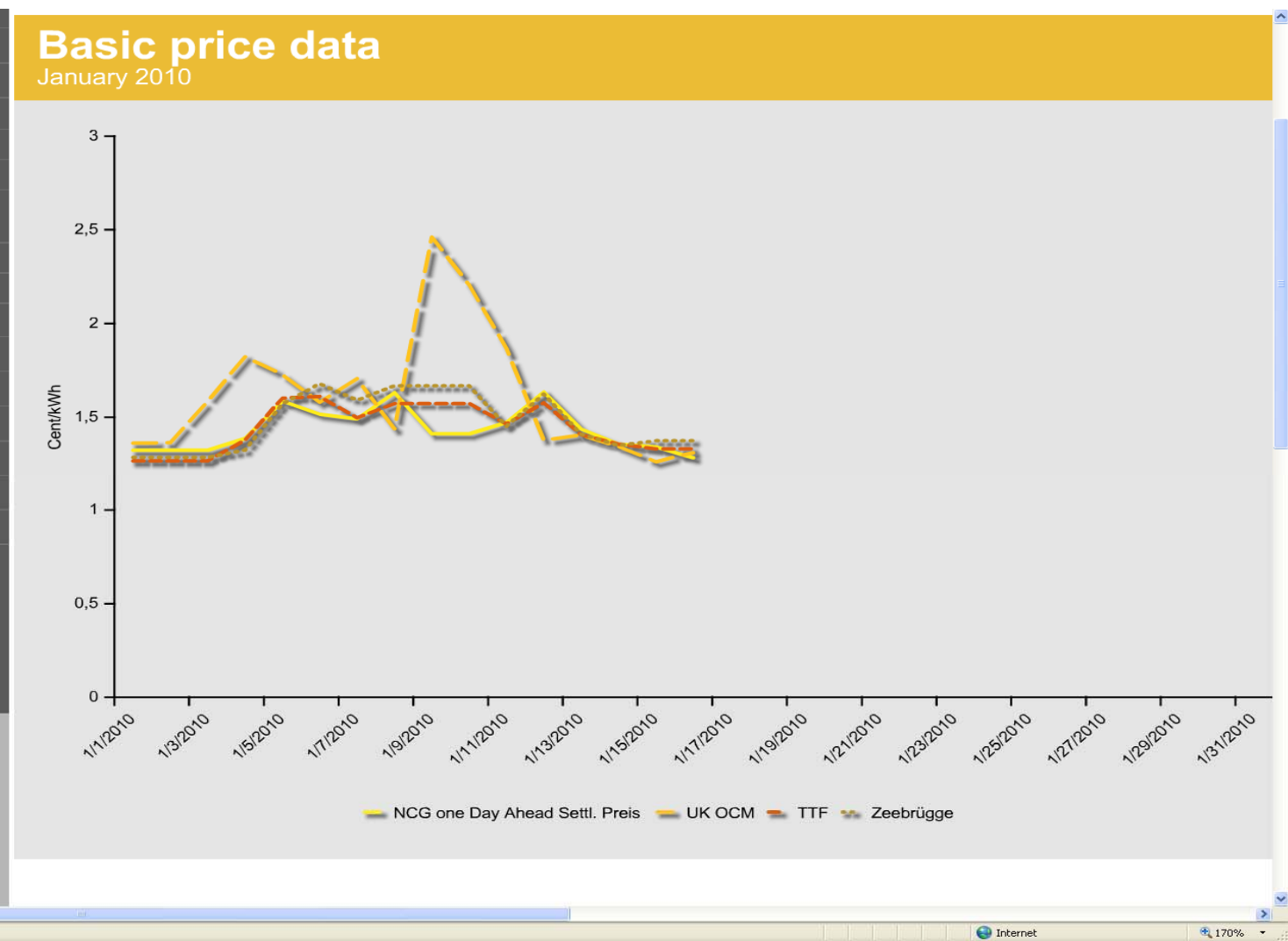
# GABi's basket price indices in 2010



- » Company
- » Information and contracts
- » Data and prices
  - > Hub Reference Prices
  - > Balancing Energy Prices
  - > Structuring charge
  - > Information about structuring and control energy fee
  - > Excess/Shortfall quantity price
  - > Fee account balance
- » VTP Information
- » Control Energy
- » Registration / Access to Portal
- » Media
- » Events/Downloads
- » Career
- » FAQ's

NetConnect Germany GmbH & Co. KG  
Kaiserswerther Straße 115  
40880 Ratingen

<http://www.net-connect-germany.de/>



Source: [http://datenservice.net-connect-germany.de/Preisgrunddaten.aspx?MandantId=Mandant\\_Ncg&rdeLocaleAttr=de](http://datenservice.net-connect-germany.de/Preisgrunddaten.aspx?MandantId=Mandant_Ncg&rdeLocaleAttr=de)

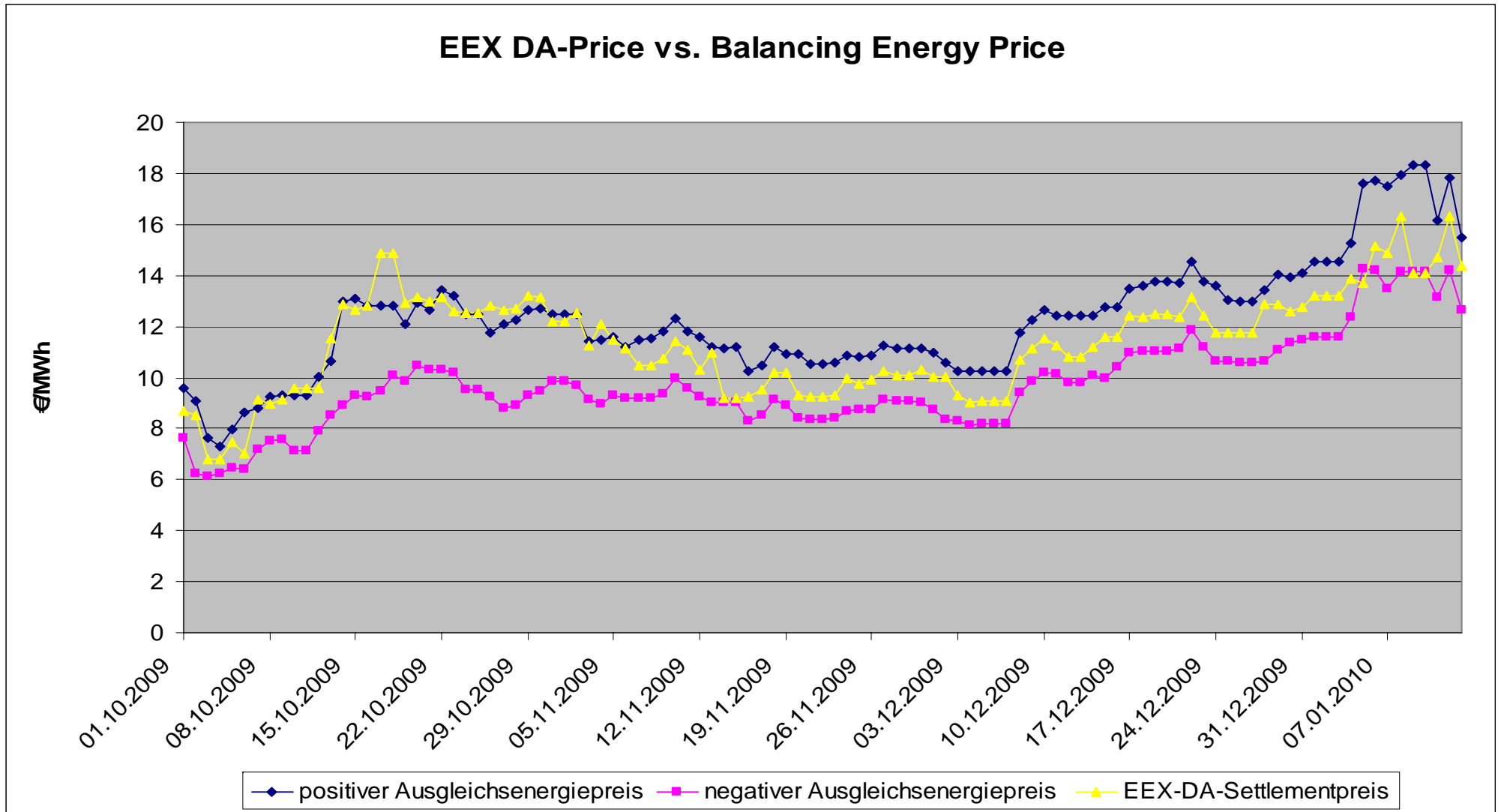
# Position of EFET Deutschland on balancing energy price calculation in GABi Gas (as of 2008)

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- Calculation of balancing energy cost shall stick to four principles:
  - Indices used must all be available for calculation
  - Free access to the indices for everyone
  - Calculation shall be the same in all market areas
  - Indices shall be close to the market
- Index basket does not reflect the German market price
- Balancing energy price shall be calculated on the basis of the EEX price
- Control energy procurement shall be done through within-day trading via a trading platform (e.g. EEX)

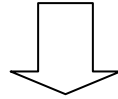
# EEX price (NCG) vs. balancing energy price (NCG)



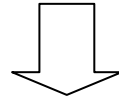
# GABI's dangerous cascade effect



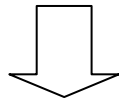
Balancing energy price is below the market price on some days



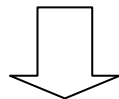
Potential incentive to use balancing energy to optimise the balancing group



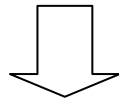
Less active market participants in the market



More control energy to be procured by the balancing group TSO



Socialisation of costs of optimising efforts for balancing groups



Additional cost factor within the control energy levy calculation

# Content of the control energy levy


## Regelenergieumlage




Source: BNetzA presentation „GABI Gas aus Händlersicht“, BNetzA Workshop, September 3 2008

# Background information: Development of the control energy levy

	01.10.2008		01.04.2009		01.10.2009	
	Marktgebiet	RE-Umlage	Marktgebiet	RE-Umlage	Marktgebiet	RE-Umlage
H-Gas	NCG	0,005	NCG	0,012	NCG	0,04
	GVS-ENI	0,008	GVS-ENI	0,013		
	GdF	0	GRTgaz	0		
	Norddeutschland H-Gas	0,009	Norddeutschland H-Gas	0,009	Gaspool	0,029
	ONTRAS	0,006	ONTRAS	0,006		
	WINGAS	0,008	WINGAS	0,008		
	RWE H-Gas	0,009	RWE H-Gas	0,0135		
				TG H-Gas	0,0376	

 NCG + >230%

 Gaspool + >220%

 TG H-Gas + >150%

Absolute Zahlen in der Tabelle in €/kWh / Prozentuale Werte: Anstieg NCG 01.04.zu NCG 01.10.2009, Anstieg Ndschl. H-Gas 01.04. zu Gaspool 01.10.2009, Anstieg RWE H-Gas 01.04. zu TG H-Gas 01.10.2009.

# Consequences for GABi Gas

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- Let's help GABi and advance the system!
- Let's start the discussion today!
- Let's revise the way balancing energy costs are calculated!
  - Move away from a basket price towards a national reference price
  - Remove uncertainty regarding the composition of a basket price
  - Incentivise balancing group optimisation via the market
  - Take away pressure on control energy levy calculation
- Let's make the use of balancing energy cost-reflective!
- Let's review if information needed to optimise a balancing group through the market is available!