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European Union Agency for the Cooperation
of Energy Regulators

Enabling short-term gas markets after interim balancing measures:

*European Union Agency Report on the implementation of
the Balancing Network Code*

VOLUME I: MAIN REPORT

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27 November 2020

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Executive summary

- (1) In this fourth Report (2020) on the Implementation of the Balancing Network Code ('the Report' and the 'Code', respectively), the European Union Agency for the Cooperation of Energy Regulators ('the Agency') analyses the application of interim measures ('IMs') in balancing systems of gas balancing zones. The aim of the analysis is to verify if interim measures have been terminated according to the legal deadline.
- (2) The Code envisaged that the transition from interim measures to full compliance should be completed within five years of the Code's entry into force: therefore, the countries employing interim measures should have foreseen the withdrawal of the interim measures by 16 April 2019. Only the operation of balancing platforms could be continued until 16 April 2024, if the local short-term wholesale gas market has insufficient liquidity.
- (3) In its previous reports, the Agency encouraged all countries using interim measures to create a roadmap with milestones for the withdrawal of the interim measures and in particular to complete the full Code implementation by 16 April 2019. In its third Report, the Agency further warned the concerned MSs to use intermediate steps during the following months to avoid that substantial changes take place on the date when the implementation deadline expires¹.
- (4) In addition, the Agency requested those countries that failed to achieve full implementation by 16 April 2019 to notify the delay and propose remedial plans. Those should be submitted to the Agency and the European Network of Transmission System Operators for Gas ('ENTSOG'), indicating when full implementation will be achieved.

Main conclusions regarding interim measures...

1. The Agency welcomes the fact that interim measures have been terminated in Germany, Lithuania, Poland, Romania, and Sweden;
2. However, interim measures have been maintained in some balancing zones, requiring additional steps to achieve full Code implementation:
 - a. Ireland has maintained imbalance tolerances;
 - b. Greece and Slovakia have maintained balancing platforms, together with an interim imbalance charge;
 - c. Bulgaria and UK-Northern Ireland have kept more interim measures, not related to the balancing platform;

As a result, these balancing zones do not comply with the Code on the specific rules on ending interim measures.

3. Overall, in some markets with structural limitations, in the absence of proper implementation plans and implementing them timely, the 5-year period for terminating IMs proved to be too short to comply with the Code.

...and overall Code implementation in Gas Year 18/19...

4. Beyond interim measures, the Code implementation has overall progressed, specifically:

¹ For example, the removal of tolerances might have been achieved using an intermediate step rather than a complete removal close to April 2019. Similarly, where major adjustments to cash-out price exposure were applied, stepwise changes may have avoided excessive risks associated with major changes.

- a. Germany, Ireland, Lithuania, Poland², and Sweden show high implementation; from January 2020, also the newly merged zone Estonia-Latvia shows signs of high implementation³.
 - b. Bulgaria, Finland, Greece, Portugal, Romania⁴, and Slovakia show partial implementation;
 - c. UK-Northern Ireland shows limited implementation.
5. Balancing services or other alternatives deviating from the prescribed Short Term Standardised Products ('STSPs') are still extensively used (more than 80% of total TSO's balancing activity) in Bulgaria, Estonia, Portugal, Slovakia, and UK- Northern Ireland;
 6. Also in Greece, Latvia, and Lithuania the TSOs carry out more than 30% of their total balancing activity through balancing services, thus limiting possibilities for market players to engage in balancing activities.

...and its recommendations to the National Regulatory Authorities ('NRAs') to lead transparent and structured processes:

1. **In view of terminating outstanding interim measures**, by taking one or more of the following measures:
 - a. Ensuring the termination of balancing platforms by the legal deadline of 16 April 2024, or possibly before, and removal of tolerances as soon as possible;
 - b. Creating trading platforms hosting STSPs' trade, with balancing services used only as a back-up option for small amounts;
 - c. Performing balancing via neighbouring markets;
 - d. Merging balancing zones or market areas.
2. **In view of reaching full Code compliance**, by:
 - a. Verifying the Code compliance of tools used by the TSOs beyond STSPs, such as balancing services and storage services, and the transparency about their use;
 - b. Ensuring that open stakeholder consultation processes take place when improvements to the national balancing rules are necessary;
 - c. Plan further implementation steps and periodically check their progress;
 - d. In the future, explore the possibility to apply targeted regulation, as envisaged in the Bridge Beyond 2025 Conclusion Paper⁵.

² In one of the Polish balancing zones, the Transit Gas Pipeline System ('TGPS') Yamal-Western Europe, all instruments have been implemented according to the Code, but no balancing activity is performed by the network users nor the TSO due to the specific features of this balancing zone. More details are available in this Report in paragraph (41) and in Annex I A, page 35.

³ The Agency's assessment for the Estonian-Latvian merged balancing area is preliminary, given that actual evidence on the functioning of the new system has been available only for two months at time of publishing this Report. At this stage, the evaluation takes stock that the main rules are in place and the actual implementation is envisaged.

⁴ In Romania, a high share of imbalances are shielded from full cash-out prices due to trading obligations. More details are provided in paragraphs (78)-(84) of this Report.

⁵ The Bridge Beyond 2025 Conclusions Paper:
https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/SD_The%20Bridge%20beyond%202025/The%20Bridge%20Beyond%202025_Conclusion%20Paper.pdf

- (5) The Agency's reports since 2016 have shown that effectively implementing the Code leads to efficiencies derived from market functioning in the balancing areas. Market based balancing benefits network users and these benefits are likely to exceed the costs of facilitating the market when replacing the TSO as the sole balancing agent. Transparent balancing systems pave the way for fairly priced balancing products and liquid short-term markets. As a result, the correct application of the Code can lead to substantial efficiency gains at the wholesale level, which should ultimately benefit final consumers.
- (6) This is why the Agency recommends all TSOs and NRAs, also in the balancing zones that achieved high implementation levels, to continue refining national balancing systems in view of the evolution of their short-term markets and keep the high transparency standards.
- (7) For the same reason, the Agency publishes this Report and will continue the Code's effect-monitoring activity in the future, focusing on the quantifiable effects of the balancing systems, monitoring the TSOs and network users' balancing activities.

1 Purpose of the Report

- (8) This is the Agency's fourth Report on the implementation of the Balancing Network Code⁶ ('the Code') after its implementation date. This Report focuses on the balancing zones, which had opted for interim measures ('IMs'), as described in Articles 45 to 50 of the Code. The interim measures are:
- A balancing platform, where the Transmission System Operator ('TSO') is a party to every trade, as an alternative to a trading platform;
 - An alternative to a balancing platform, where due to insufficient interconnection capacity the TSO cannot enable a balancing market and uses balancing services instead;
 - An interim imbalance cash-out price, which may be based either on an administrative price, or a proxy for a market price, or a price derived from balancing platform trades;
 - Tolerances, where network users are afforded some protection against full marginal cash-out prices on at least part of their daily imbalance;
 - Other temporary measures alternative to a balancing platform, consistent with the general principles set out in the Code, aimed at promoting competition and liquidity of the short-term wholesale market.
- (9) TSOs requesting interim measures had to submit a dedicated report to their National Regulatory Authority ('NRA') within six months of the entry into force of the Code. The NRA had six months to decide about the IMs proposed. After that, the NRA's decision about the IMs should have been notified to the European Commission and the Agency.
- (10) Where interim measures are used, the TSO shall prepare an annual report that takes stock of the developments of the wholesale market and its liquidity and consult it with the stakeholders. Overall, the interim measures selected shall be applied in view to develop the wholesale market, and shall be planned and removed stepwise.
- (11) The Code establishes a legal deadline to terminate the IMs five years after the date of the entry into force of the Code: this deadline expired on 15 April 2019. As an exception, the NRA can decide that the TSO can continue the operation of the balancing platform for up to five additional years in case of insufficient liquidity: a deadline to expire on 15 April 2024.
- (12) This Report analyses the functioning of 15 balancing zones in 14 Member States:
- The 12 IMs zones: Bulgaria, Germany-Gaspool, Germany-NCG, Greece, Ireland, Lithuania, Poland-national, Poland-transit, Romania, Slovakia, Sweden, and UK-Northern Ireland;
 - Portugal, which has been selected because, despite having opted for transitory measures applicable until 1 October 2016, the actual full implementation of the Code has not yet taken place;
 - The FINESTLAT region (Estonia, Latvia, and Finland)⁷, which has joined the other EU countries in the implementation of the Code following the expiry of their derogations.

⁶ Regulation (EU) No 312/2014 establishes a Network Code on Gas Balancing of Transmission Networks.

⁷ The focus on the Baltic region aims at taking stock of the national balancing systems at the end of the derogations and ahead of full unfolding of the FINESTLAT market merger. Estonia, Finland, and Latvia did not have to comply with the Code requirements, according to Article 2 of the Code, due to the derogation granted by Article 49 of

- (13) The Report also hosts a cross-country section updating on the use of balancing services, on the application of the small adjustments, and on the merit order for balancing products the TSOs use when balancing their respective gas networks. Overall, this section shows that balancing systems across the EU have evolved since the last review. The evolution reflects the virtuous circle by which balancing systems develop naturally if market liquidity emerges, and at the same time, properly functioning balancing systems encourage liquidity. Balancing services are part of the TSOs' merit order and are not considered as IMs when there is a balancing or trading platform. The Code nonetheless requires that balancing services are supervised by the NRAs to ensure that their use is limited and declining.
- (14) Finally, the Report hosts a box updating on the recent reform of the balancing system in Austria, as an effect of the previous Agency's feedback and stakeholder requests. The new rules are planned to enter into force in October 2021.
- (15) This Report does not address the implementation status of any of the balancing zones that opted for implementing the Code in October 2015, nor for those that, opting for transitory measures, implemented the Code in October 2016 (with the exception of Portugal).
- (16) Unless otherwise specified, the analysis relies on information relevant for the Gas Year 2018/19⁸ ('GY 18/19'). The Agency has tried to incorporate all updates the NRAs sent by the publication date of this Report.

Directive 2009/73/EC. As the derogation in Finland, the last to end, expired in January 2020 (Estonia ended it in 2015 and Latvia in April 2017), the Agency wants to shed light on the implementation of the Code.

In the FINESTLAT area, a single market zone comprising Finland, Estonia, and Latvia is operational from 1 January 2020, implying a coordinated reference price methodology ('RPM'), flat entry tariffs, and an inter-TSOs compensation scheme ('ITC'). There are interim solutions regarding gas balancing, implying two separate balancing zones: a merged balancing zone of Estonia and Latvia, and a different balancing zone for Finland.

Lithuania is not yet part of the merged FINESTLAT area and has its own balancing zone. Lithuania may join the single market zone, including for balancing operation, in 2022, after all the impacted countries agree on the ITC.

⁸ Spanning from 1 October 2018 to 30 September 2019.

2 The journey to the fourth Agency's Report

- (17) The Agency has actively followed the implementation of the Code since its early stages, before its provisions were binding⁹. This section lists the most important publications and workshops that contributed to build relevant knowledge, and which serve as background and reference information to the current Report.
- (18) The Agency's first balancing implementation monitoring Report, published in 2016, introduced standardised Country Assessment Sheets ('CASs') to assess the compliance of key elements of the Code for all balancing zones¹⁰. The analysis split countries into three clusters: those fully implementing the Code by 1 October 2015, those electing for a deferred implementation as approved by the NRA by 1 October 2016¹¹, and a final group that elected to use interim measures to first encourage liquidity and hence a functioning short-term wholesale market by April 2019.
- (19) The Agency's second Report, published in 2017¹², built on the results of the first Report. The Report reassessed all balancing zones' progress using the same structured qualitative approach. It also introduced the Balancing Analytical Framework (the '*Analytical Framework*'). The *Analytical Framework* adopted quantitative indicators to assess system performance and facilitate the comparison across balancing systems. It was applied to seven balancing zones: BeLux High-calorific, Denmark, France GRTGaz Nord, Germany-NCG, Slovenia, Spain, and UK-GB. The results of the analysis stimulated debates about how the choices available in the Code could be exercised, and what operational effects such decisions have on the balancing trades.
- (20) With the third Report, published in 2018, the Agency's implementation monitoring activity focussed on applying the *Analytical Framework* to five additional balancing zones¹³: Austria (Market Area East), the Czech Republic, Hungary, Italy, and Poland (national high-calorific zone).
- (21) In addition, the Agency organised workshops that usually followed the publication of the reports. These workshops were organised in most cases together with ENTSOG in the period 2015-2018 and showed significant stakeholders' interest on balancing topics.

⁹ During this phase, respectively in October 2014 and November 2015, the Agency, together with ENTSOG, published two reports on the Code's early implementation:

https://www.acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Documents/ACER-ENTSOG_Report_BAL_NC_Early_Implementation-Final_22-Oct-2014.pdf

https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/Second%20ACER-ENTSOG%20Report%20on%20the%20status%20of%20the%20implementation%20of%20the%20Balancing%20Network%20Code.pdf

¹⁰ First ACER Report on the implementation of the Balancing Network Code:

https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code.pdf

¹¹ The so-called transitory zones.

¹² ACER Report on the implementation of the Balancing Network Code (Second edition) Volume I and II:

[https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20\(Second%20edition\)%20Volume%20I.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20(Second%20edition)%20Volume%20I.pdf)

[https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20\(Second%20edition\)%20Volume%20II.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20(Second%20edition)%20Volume%20II.pdf)

¹³ Additionally, the analyses for UK-GB and Denmark, which were analysed in the second Report, have been rerun to provide further comparators.

- (22) The purpose of the first ACER-ENTSOG Joint Workshop on Gas Balancing Code, held in November 2015¹⁴, was to present insights about the implementation of the Balancing Network code and get stakeholders' input on where the implementation of the Code stands and what improvements are necessary. The workshop focussed on the overall implementation and covered most design elements of the Code, such as operational balancing, information provision, imbalance charges, and neutrality with a view to the countries applying interim measures.
- (23) The aim of the second ACER-ENTSOG Joint Workshop on Gas Balancing, held in 2016¹⁵, was to foster knowledge sharing across the Member States and to support implementation by encouraging implementation best practices. The workshop focussed on successful implementation designs, the importance to plan national implementation, information provision, daily imbalance charges, and neutrality.
- (24) An additional workshop independently organised by the Agency in May 2017¹⁶, which showed high participation from NRAs, TSOs, and other stakeholders, deeply addressed the topic of within-day balancing obligations.
- (25) The ACER-ENTSOG Joint Workshop on Gas Balancing Code in November 2017¹⁷ provided an opportunity to explore the growing body of findings of both the Agency and ENTSOG. The discussions focussed on the *Analytical Framework* developed by the Agency and the critical issue of information provision, including linepack.
- (26) The information provision about Non-Daily Metered ('NDM') demand forecast and allocation was the focus of the Fourth Joint Workshop held in June 2018¹⁸. All elements of the Code's chapter on information provision¹⁹ were addressed, including the accuracy of forecast and related performance reports. The Agency believes that the release of appropriate information fosters efficient market functioning and that information models shall be adapted progressively, including the frequency of information provision, as the market evolves. Major forecast errors hinder network users to balance their positions. Network users must have appropriate information to ensure that they can manage their risks and opportunities so that functional wholesale markets can be developed to the benefit of the final consumer.

¹⁴ First joint workshop organised by the Agency and ENTSOG, held on 17 November 2015 in Budapest, slides available at: <http://www.acer.europa.eu/Events/ACER-ENTSOG-joint-workshop-on-Gas-Balancing/Documents/Presentation.pdf>

¹⁵ Second joint workshop organised by the Agency and ENTSOG, held on 9 November 2016 in Warsaw, slides available at: <https://www.acer.europa.eu/Events/ACER-ENTSOG-2nd-joint-workshop-on-Gas-Balancing-Code-implementation/Documents/Presentation.pdf>

¹⁶ Workshop organised by the Agency on 15 May 2017, in Brussels, slides available at: <https://www.acer.europa.eu/Events/ACER-Workshop-on-Within-Day-Obligations-in-the-context-of-Gas-Balancing-Code-implementation/Documents/Slides%20WDOs%20workshop%2015%2005%202017.pdf>

¹⁷ Third joint workshop organised by the Agency and ENTSOG, held on 22 November 2017 in Vienna, slides available at: <https://www.entsog.eu/sites/default/files/entsog-migration/publications/Balancing/Third%20ENTSOG-ACER%20Balancing%20WS%20presentation%20slidepack.pdf>

¹⁸ Fourth joint workshop organised by the Agency and ENTSOG, held on 2 June 2018 in Brussels, slides available at: <https://www.entsog.eu/events/4th-joint-entsog-acer-workshop-on-gas-balancing#downloads>

¹⁹ Chapter VIII of the Code.

3 Assessment of balancing zones

- (27) This Report builds on the experience of the first three Reports and mainly reflects how the Agency understands the progress in the balancing zones that had adopted interim measures, or had not terminated transitory measures, as well as in the FINESTLAT region.
- (28) Finally, section 3.3 hosts a box on the changes foreseen in the Austrian balancing system, as an outcome of stakeholder involvement, taking into account the feedback the Agency gave in its previous Reports.

3.1 Interim measures balancing zones

- (29) A number of balancing zones have achieved progress in their efforts to terminate interim measures. While the implementation of the Code is less patchy, since the Agency acknowledges systems terminating their interim measures on time (like Germany, Lithuania, Poland, and Sweden), there remain balancing zones that have kept all or some of the interim measures initially adopted. In some of these cases residual interim measures do not hinder high Code implementation (e.g. Ireland), in others, despite the progress made, actual market-based balancing still scores low (e.g. Greece, Bulgaria, Slovakia, and UK-Northern Ireland).
- (30) Interim measures were supposed to be phased out by 16 April 2019: by then, full market-based balancing with the TSOs using mostly STSPs for their balancing actions and full daily cash out should have been implemented. In its third Report and in the Market Monitoring Report covering 2018 – Gas Wholesale Market Volume, the Agency encouraged all countries to make progress towards the 16 April 2019 target²⁰.
- (31) In this Report, the Agency has performed the assessment of selected individual balancing zones, with the following results regarding interim measures:
- All interim measures terminated: Germany, Lithuania, Poland²¹, Romania, and Sweden;
 - Balancing platform and interim charge kept: Greece and Slovakia;
 - Only tolerances kept: Ireland;
 - Other interim measures kept: Bulgaria and UK-Northern Ireland.

²⁰ As mentioned in the recommendations of the ACER/CEER Market Monitoring Report 2018 – Gas Wholesale Market Volume: *in the balancing zones where the BAL NC was fully implemented, the TSO increased their procurement of products for balancing closer to real time and the network users accommodated this need. This also happened in balancing zones with low or very low levels of spot liquidity before the BAL NC implementation. With clear balancing rules and better information on the balancing's status, network users are more willing to take positions in the spot timeframe, thus increasing the liquidity of the spot products in a balancing zone. A full implementation of the BAL NC, the minimisation, and possibly the full removal of the balancing services and the abolishment of the balancing platforms by 2019 should be carried out by all the TSOs and NRAs. If by the deadline established by the BAL NC to remove the balancing platform a national trading platform cannot be set up, all the balancing activities could be carried out in an adjacent trading platform, as approved by the NRA well in advance of the deadline, with a view to full network user's balancing.*

https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Market%20Monitoring%20Report%202018%20-%20Gas%20Wholesale%20Markets%20Volume.pdf

²¹ If not otherwise specified, the statements on Germany and Poland respectively refer to both balancing zones of each country. Despite out of the scope of this Report, the Agency notices that interim measures were terminated also in the national Polish low-calorific zone.

Figure 1: Status of interim measures in Member States after the April 2019 deadline

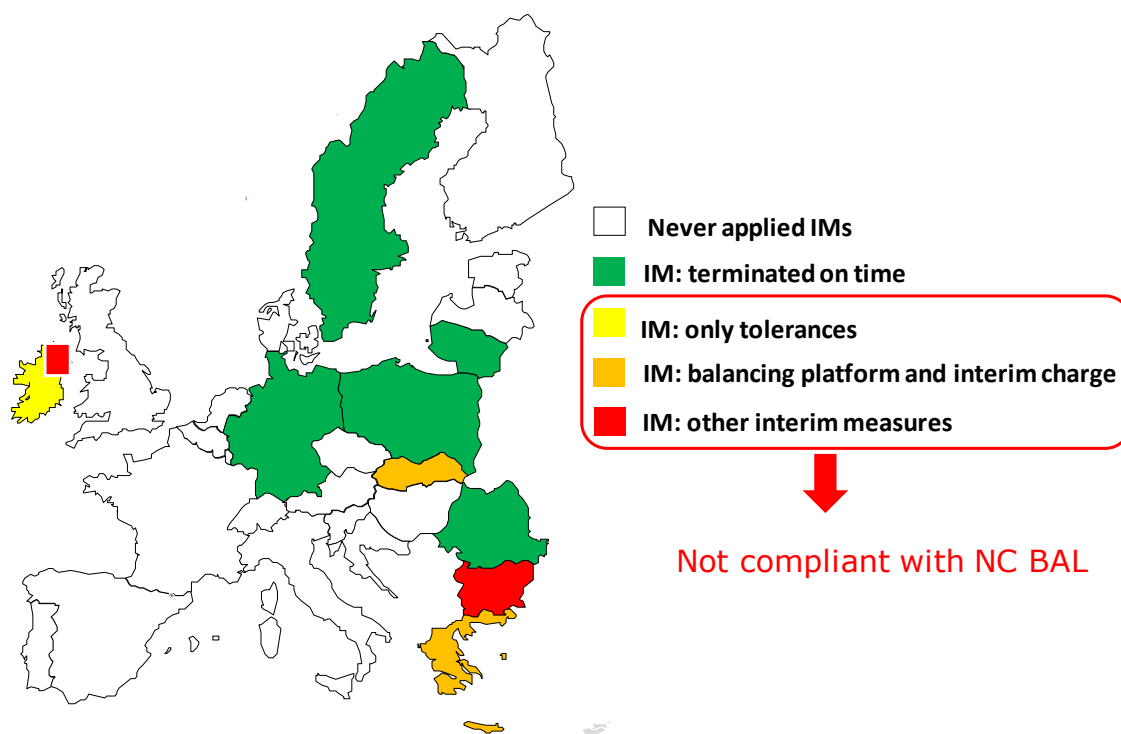


Table 1: Interim measures left after the April 2019 deadline

Legend:

Terminated
Kept

N° Balancing zone	Interim measures			
	Balancing Platform	Alternative to BP	Interim charge	Tolerances
1 Bulgaria				1
2 Germany (both zones)				
3 Greece		2	3	
4 Ireland		4	4	
5 Lithuania				
6 Poland (all zones)				5
7 Romania				
8 Slovakia		2		
9 Sweden				
10 UK (Northern Ireland)				

¹ Bulgaria terminated the use of tolerances in August 2019.

² Greece and Slovakia formally do not apply any alternative to balancing platform as interim measures, since they have balancing platforms. Yet, in both zones the TSO extensively used balancing services as a back up in case the balancing platform did not have enough liquidity. More quantitative details are provided in Table 4.

³ In Greece, the interim charge is based on the price of the national balancing platform, therefore its application is considered to be progressing toward compliance, in line with the spirit of the Code.

⁴ In Ireland, the use of balancing services and interim charge terminated in June 2019.

⁵ In Poland, tolerances were only applied in the national High-calorific balancing zone. They have been terminated by the legal deadline.

- (32) The Code allows prolonging the use of the balancing platform for an additional five years, until 16 April 2024. Any other interim measure should not be prolonged. Therefore, strictly speaking and considering actual implementation of the Code and not only the existence of Code-compliant national rules, a few balancing zones are still not complying with the Code on interim measures' termination: Bulgaria, Greece, Ireland, Slovakia and UK-Northern Ireland.

3.1.1 Interim measures terminated, high Code compliance

- (33) Building on its previous reports, the Agency observes that balancing zones that have terminated all interim measures were able to do so because of:
- Clearly defined interim steps (e.g. gradual reduction of tolerances 5%-2.5%-0% in Poland);
 - Forward-looking phasing-out of the use of balancing platforms (Germany);
 - Decision to merge balancing zones where market liquidity was lacking to establish a stand-alone zone (Sweden merged with Denmark on 1 April 2019).
- (34) In more detail, each country is presented below.

3.1.1.1 Germany

- (35) In Germany, the formal permission for the use of the Balancing Platform expired on 19 April 2019, but already by 1 January 2018 the Market Area Managers ('MAMs')²² terminated the use of the locational STSPs on the balancing platform.
- (36) The volumes procured on the balancing platforms in Germany have always been low and then decreased to zero. Therefore, the two MAMs Gaspool and NCG decided not to submit a request to the NRA to prolong the utilisation of the balancing platforms. The reason was that MAMs could procure locational STSPs on the trading platforms (the gas exchanges), without the need to use the balancing platforms.

3.1.1.2 Lithuania

- (37) Lithuania eliminated all interim measures by the legal deadline. Lithuania adopted imbalance tolerances until 1 April 2019, which meant that the imbalance charge price equalled the weighted average price for the imbalance volume if the volume did not exceed a certain percentage of the network user's natural gas daily consumption (i.e. 5% during October-April and 15% during May-September). The elimination of tolerances took place in order to comply with legal requirements of the Code. Overall, a number of aspects contributed to improvement of the national balancing system:
- The commissioning of the LNG terminal in Klaipeda from the beginning of 2015, which provided supply source diversification;
 - The Latvian market situation, following the end of its derogation on 3 April 2017;
 - The growing liquidity at the GET Baltic since the second half of 2017.
- (38) Despite the positive outcome overcoming the interim measures, the Agency understands from bilateral talks with the NRA that the full daily cash out is not implemented. The reason is the existence of a previous-day product allowing network users to exchange their imbalance positions after the end of Gas Day. The Agency notes that similar products have been applied since 2013. The Agency points out in this respect that such an instrument acts against the STSPs liquidity of

²² In the German market areas, which have several TSOs, the MAM takes the responsibility of balancing the network at the level of the market area, i.e. beyond the individual TSOs' networks.

the trading platform, which cannot attract all the possible transactions, and that the Code does not allow ex-post balancing products.

- (39) The transit pipeline that brings gas to the Russian enclave of Kaliningrad from Belarus through Lithuania does not constitute a separate balancing zone, thus the same rules should be applied for network users regarding its gas input and offtakes. However, the actual situation is still unclear and the Agency and the NRA have been actively trying to clarify it²³.

3.1.1.3 Poland

- (40) The Polish national H-calorific zone was maturing gradually during the five years when the interim measures were in place. Over the last years, the NRA took relevant steps to eliminate the tolerances and evaluated whether or not to modify the small adjustment once tolerances would be removed. Poland has reduced imbalance tolerances from 5% to 2.5% on 1 April 2018 and to 0% on 1 April 2019. This reduction occurred without any material change in the information provision, but rather due to the necessity to meet the legal deadline. The use of all other interim measures also stopped on 1 April 2019. For the time being, the small adjustment is unchanged, equal to 10%.
- (41) The same updated rules of the national H-calorific zone apply to the transit Yamal zone. However, the transit zone did not record any imbalance during the interim phase, mainly because there are just a few IPs, all are daily metered, there are no end users connected, and the nominations are equal to the allocations.
- (42) On the national L-calorific zone, interim measures have been removed as well from 1 April 2019.

3.1.1.4 Sweden

- (43) The Swedish balancing zone used to apply interim measures in the form of weekly balancing trades and regulated gas trade. Imbalances were cashed out at an interim imbalance price²⁴. These measures have ended since the Swedish balancing zone has merged with the Danish one in April 2019.
- (44) The Swedish transmission system is only connected to the Danish one, with no interconnection points nor trade with others. For this reason, the Swedish TSO (Swedegas) explored whether a joint balancing design could be built with the Danish system, following the successful balancing design of the latter.
- (45) The major changes to the Swedish gas balancing market rules in relation to the creation of the Joint Balancing Zone ('JBZ') and the new balancing agreement include:
- Daily cash out in the joint market;
 - Balancing actions with STSPs on the ETF PEGAS platform, earlier Gaspoint Nordic;
 - Improved information provisions in relation to the network users' portfolio:

²³ From preliminary talks, the Agency understands that commercial agreements, signed by the TSO and the users transiting the Lithuanian network towards the Russian enclave of Kaliningrad, allow special rules for the calculation of imbalance cash-out prices. Detailed information is confidential. The Agency highlights that all users of the Lithuanian balancing system shall be treated equally and that no discrimination shall exist between transit and other users in the framework of entry-exist systems.

²⁴ The TSO balanced the grid on a weekly basis through an auction where all BAs had the option to participate. The price was set as the weighted average of the winning and second best bids in the auction. Therefore, the participating BAs had a possibility to influence the price by taking part in the auction. The price was applied to the imbalances concerning measurement inaccuracy within the pre-defined tolerances. Imbalances outside those limits had a mark-up of 35% on the imbalance price.

- .i. Reporting of intra-day metered consumption data from the distribution system operators ('DSOs') has increased from 2 to 5 times a day;
 - .ii. Non-daily metered portfolios receive a forecast before the gas day and five updated forecasts during the day;
- All Balance Administrators ('BAs') are required to be registered as network users.
- (46) The joint balancing entity called Balancing Area Manager ('BAM'²⁵) has been created to take care of the imbalance of the newly merged area. The Danish TSO (Energinet) is handling the trading and the operational tasks on behalf of the BAM. Swedegas handles the information gathering on the Swedish side.

3.1.2 Only tolerances applied

- (47) The Agency's assessment acknowledges that there are countries that have prolonged the interim measures but, at the same time, have taken concrete actions to terminate them in the near future and have already reached a high level of actual Code implementation.

3.1.2.1 Ireland

- (48) The Irish system has evolved during the interim measure phase. Whereas in the beginning the interim measures were designed in a timely and exhaustive manner, their implementation slowed down, as reflected in the earlier Reports of the Agency. CRU, the Irish NRA, has reported that the primary reason for the implementation delay was due to the absence of sufficient numbers of market participants in a position to trade on the newly established trading platform. The first trade took place in October 2017 between the network users, while the TSO only began trading in June 2019 when liquidity reached a sufficient level, at which point the interim balance charge and balancing services were terminated. Therefore, Ireland has terminated, slightly after the legal deadline, two out of the three interim measures initially adopted, while tolerances still apply.
- (49) Also on the tolerances, the system has progressed since 2015. Being a complex regime of several tolerance ranges adapted to the abilities of the different network users and the delays in putting in place a trading platform, as of 1 April 2019, the following tolerances still remained in place:
- Gas fired power generators, if they receive a dispatch instruction from the electricity TSO during the 'dead-band period' (2am-5am) when they cannot adjust their balancing position. The tolerance is only the amount of imbalance caused by the dispatch instruction during the dead-band period;
 - Daily-metered users, up to 10% of their exit allocation;
 - Non-daily metered users' forecasting error, which covers the absolute difference between the TSOs' nominations forecast and the shipper's final allocation, provided the shipper has nominated as advised.
- (50) The daily imbalance price is now set in line with Article 22 of the Code, with reference to the Irish Balancing Point ('IBP'). Only in case there are no trades at the IBP, the imbalance charges are derived as a proxy from the British National Balancing Point ('NBP')²⁶.

²⁵ The BAM is not a separate legal entity but consists of staff from Energinet and Swedegas. Energinet has had systems in place to perform the role as BAM, the same that were used when the Danish balancing zone was a separate one. Therefore, the BAM will use Energinet's system.

²⁶ Since April 2019 and until the end of January 2020, the NBP proxy pricing has been applied on 30 days out of 301 (only 5 days in GY 19/20). The majority of those days were attributable to outages at the Corrib Entry Point and days of very low demand.

- (51) It is worth noting that the users of the Irish network can exchange gas on a trading platform since 1 October 2017. The TSO is active on the Irish trading platform only since June 2018, despite the fact that this activity should have taken place already by the end of 2017. Overall, with the TSO starting to use the trading platform, the use of balancing services terminated and their presence in the merit order has been fully eliminated²⁷.

3.1.3 Balancing platform and interim charge kept

- (52) Several countries still have to implement important elements of the Code and those requirements go beyond the full termination of the interim measures. The reasons of being behind differ: loose planning, lack of tools designed to attract liquidity, insufficient size to build up liquidity, or the combination of those.

3.1.3.1 Greece

- (53) The Greek system displays appropriate reasons for the prolongation of the interim measures. The extension, as the Code requires, has been carefully interpreted in the context of the local circumstances and the current implementation approach clearly foresees the ending of the interim measures. Overall, the last three years of progress, made under the leadership of the Greek NRA, could serve as a good example for other countries aiming to progress from balancing services to a trading platform²⁸.
- (54) The Greek system still retains the following interim measures:
- Balancing platform, in operation since 1 July 2018²⁹;
 - Interim imbalance charge derived from balancing trades and aligned with the cash out prices described in Articles 22 of the Code, to the extent possible³⁰.
- (55) The prolongation of the balancing platforms is the consequence of insufficient development of liquidity³¹. The trading platform is foreseen to start in the beginning of 2021.
- (56) Balancing services are retained as a back-up option in case the balancing platform is not liquid enough. In GY 18/19 balancing services covered 35% of total TSO's balancing actions.
- (57) The cash out prices are set based on balancing trades. The marginal sell and buy prices are calculated based on the lowest price of any sales and highest price of any purchase that took place in the balancing platform, respectively. The Greek NRA left a resort to a proxy-price as well for the days when there are no trades in the balancing platform, which has never occurred so far. The absence of the application of the proxy price gives good hopes that the maturity of the Greek balancing design has been progressively reached and it is ready to progress to the next step.

3.1.3.2 Slovakia

²⁷ The Gas Wholesale Volume of the ACER/CEER Market Monitoring Report 2018 noted that the introduction of a virtual hub in Ireland at the end of 2017 resulted in the development of spot liquidity during 2018.

²⁸ Decrease in balancing tolerance limits (from $\pm 10\%$ to $\pm 3\%$) became effective in 2018 along with the operation of the balancing platform (fourth amendment of the national code). However, relevant provisions were included in the third amendment of the code in 2017 (which was first launched into public consultation in December 2015, after the approval of the first Interim Measures Report). Therefore, gradual progress has been made in the last three years (2016-2019).

²⁹ This is a very late starting date for an interim measure.

³⁰ Since the trading platform is not yet operational in Greece, the cash out prices are derived from the Greek balancing platform.

³¹ On the other hand, a trading platform may create an additional boost to liquidity.

- (58) The Slovakian regime displays the following situation with interim measures prolonged:
- Balancing platform to be kept until 15 April 2024;
 - Interim imbalance charge.

In addition, Slovakia has extensive balancing services in its merit order that do not formally qualify as interim measure.

According to the NRA, the lack of a trading platform is due to the insufficient short-term liquidity³². The interim imbalance charge is derived from balancing platform trades or from CEGH VTP's CEG, HIX index. Since trades on the balancing platform are infrequent, in most cases, the Slovak network users pay this proxy price. This price in the end hinders the Slovak market liquidity and incentivises users to trade at the CEGH.

- (59) The prolongation of interim measures may also relate to the old legacy contracts that include significant renomination restrictions, as they need to always be balanced. In GY 18/19, the renomination restriction applied to 73% of the entry capacity at Velke Kapusany, 50% of exit capacity at Lanzhot, and 81% of exit capacity at Baumgarten.

3.1.4 Other interim measures kept

3.1.4.1 Bulgaria

- (60) The Bulgarian balancing system should be assessed in light of the multilateral regulatory process started by the European Commission in 2017. This process³³ engaged the Agency, ENTSOG, the Bulgarian TSO and NRA, and local stakeholders with the objective to discuss compliance of the Bulgarian entry-exit gas system with the EU legal framework. Yet, the Bulgarian process has not become as concrete as in the case of Romania and technical dialogues remained at a higher level.
- (61) Furthermore, within the CESEC, initiative there has been an effort to develop a plan³⁴ for the termination of the IMs in Bulgaria. Despite the delays, the plan has recently progressed.
- (62) Given that newly approved national balancing rules³⁵ shall be enabled by higher-level legislative rules in Bulgaria, the amended Bulgarian Energy Act in force as of 8 October 2019 appointed a responsible party to act as a trading platform to enable trading. As a result, the trading platform is operational as of January 2020³⁶.
- (63) Until January 2020 the Bulgarian balancing system retained the following interim measures³⁷:
- As an alternative to a balancing platform, a combination of:

³² The Gas Wholesale Volume of the ACER/CEER Market Monitoring Report 2018 labelled Slovakia as an illiquid hub, a step back compared to the previous two years, when it was classified as an emerging hub.

³³ The so-called country-visits.

³⁴ The CESEC Gas Action Plan 2.2 – Progress Review and Next Steps: https://ec.europa.eu/energy/sites/ener/files/documents/cesec_gas_action_plan_final.pdf

³⁵ In July 2019, the newly approved Natural Gas Market Balancing Rules (the previous rules were in force since January 2017): https://bulgartransgaz.bg/files/useruploads/files/Balansirane/Balancing_Rules_EN.pdf.

³⁶ More information on the trading platform is provided at <http://balkangashub.bg/en>.

³⁷ Tolerances have been terminated as of August 2019.

- .i. Bilateral, non-platform-based trades to be notified by network users directly to the TSO commercial dispatching system³⁸;
 - .ii. Market-based balancing services, which the TSO buys to cover network imbalances.
- The daily cash out price is not derived from trades, but from the regulated price of the gas public supplier.
- (64) From bilateral talks with the NRA, the Agency understands that market-based balancing is hampered by scarce market liquidity. At the time of publishing this Report, the NRA reports that platform transactions have been steadily increasing, though it has only been a month since the platform was launched. Instead of relying on STSPs, the TSO has relied on balancing services to balance the network. The balancing services are tendered and stored in the TSO's own storage facility and used (withdrawn or injected) when needed, depending on the network users' cumulative imbalances. On the other hand, the NRA reports that bilateral trades at the VTP notified to the TSO system have increased significantly during the last two years, but they are not yet the primary instruments for balancing.
- (65) Regarding the imbalance charge, the TSO applies an administered price, which is a proxy of a market price, based on the regulated gas price paid by the public supplier³⁹: as long as this price applies, the development of a competitive short-term pricing has severe limitations. According to the new national balancing rules, the imbalance charge⁴⁰ will be calculated in line with Article 22 of the Code when trades occur on the trading platform. The imbalance charge will be based on the trading platform's trades when the criteria set out in the methodology are fulfilled: at least three trades and 3,000 MWh for the respective Gas Day, to avoid price manipulations.
- (66) The Agency stresses the importance to give priority to short-term title products in the merit order and align the use of balancing services to the amount that cannot be covered by the short-term title products. In this way, the decrease of the use of balancing services could be meaningfully achieved and Bulgaria will act according to the requirements of Article 8(6) of the Code.
- (67) The Bulgarian balancing system used to provide imbalance tolerances that, according to the NRA, have been phased out with the new balancing rules⁴¹.
- (68) In the Agency's assessments, high evaluation is reached when Code-compliant drafted rules are applied in practice: in the case of Bulgaria, that requires that the TSO trades STSPs on the trading platform. This will trigger a positive evaluation of the latest implementation steps.

3.1.4.2 *United Kingdom – Northern Ireland*

- (69) The Northern Irish system is a small one and, to get a better understanding of its features, its proximity to bigger markets, like the one of Ireland and especially the one of Great Britain, must be considered. Given its size, the Northern-Irish market suffers from a lack of liquidity. On the other hand, given its proximity to the British market, shippers can effectively trade at the NBP and ship gas into Northern Ireland to balance their position.

³⁸ In order to enhance the trades, the TSO provided a list of eligible NUs and traders on its website: <https://www.bulgartransgaz.bg/en/pages/customer-zone-16.html>

³⁹ Which is related to the price of the long-term supply contract for Bulgaria.

⁴⁰ Daily Imbalance and Neutrality Charge Calculation Methodology: https://bulgartransgaz.bg/files/useruploads/files/Balansirane/Imbalance_charge_methodology_EN.pdf

⁴¹ TSO's notice on ending tolerances (in Bulgarian): https://www.bulgartransgaz.bg/en/news/preustanovyane_na_prilaganeto_na_tolerans_pri_izchislyavaneto_na_taksa_disbalans-502-c15.html

- (70) The balancing zone of UK-Northern Ireland has maintained the following interim measures:
- Tolerances;
 - Interim imbalance charge;
 - In addition, the UK-Northern Irish system extensively applies balancing services as the main product of the merit order; this is because STSPs were not designed given the proximity of the British NBP.
- (71) In UK-Northern Ireland, network users must balance their portfolio within tolerances, which are calculated based on their portfolio of demand, using a given percentage for each load type. The percentages reflect the fact that domestic loads are generally less predictable, more weather-dependent. The following table summarises the current imbalance tolerances applicable to each downstream load category.

Table 2. Tolerance levels for categories of users and load in UK-Northern Ireland

Downstream Load Category	Tolerance %
Power generation	3%
Other downstream consumers, loads $\geq 1,465,416$ MWh/y	3%
Other downstream consumers, loads ≥ 733 MWh/y and $< 1,465,416$ MWh/y	10%
Other downstream consumers, loads < 733 MWh/y	20%

- (72) The Northern-Irish gas market operator ('GMO NI') published its tolerances review⁴² in early July 2019, where it reviewed network users' behaviour from October 2017 to March 2019. This analysis showed that: network users serving the distribution network, on average, breached their tolerances in 65 days of the period reviewed; power generators breached their tolerances in 165 days⁴³.
- (73) The NRA has already foreseen a two-step reduction in tolerances: first in April 2020 and then in early 2021. According to the NRA, the reduction of imbalance tolerance would be feasible because the current tolerance levels are not considered a realistic reflection of network users' imbalance risk. Therefore, a reduction in tolerance levels would not result in an unduly excessive increase of the TSO's balancing actions costs, since it is expected that network users can adapt their behaviour to the lower tolerances.
- (74) The imbalance charges are calculated using the marginal buy and sell prices of the British NBP.
- (75) Also for the balancing services, the TSO relies on purchases from the liquid short-term market in Great Britain.
- (76) The Northern Irish system does not feature a balancing or a trading platform. In 2018, the TSOs consulted on a trial for a trading platform but suppliers indicated their preference to trade at the NBP, instead of a local platform. The TSO and the NRA jointly concluded that it would not be cost effective to continue with the trial at this stage, and would rather pursue the potential option of trading in an adjacent balancing zone. The NRA has requested the TSOs to investigate what changes are necessary to make the current trading arrangements compliant as a long-term solution of trading in an adjacent balancing zone.
- (77) Although the Agency understands the peculiarity of the Northern Irish balancing zone, the present situation is incompatible with the Code's requirements. The Agency will keep an open dialogue with the regulator to be informed about the changes that can lead to a correction of the situation.

⁴² Tolerance review report: <http://gmo-ni.com/transparency/tolerance-review>

⁴³ This may be due to the lower level of tolerance.

3.1.5 Interim measures terminated, but partial Code compliance

3.1.5.1 Romania

- (78) The Romanian balancing system should be assessed in light of the comprehensive multilateral regulatory process started by the European Commission in 2017, involving the Agency, ENTSOG, and the Romanian TSO and NRA with the objective to design a compliant entry-exit gas system and close the implementation gap relating to several network codes, including the Balancing Network Code. In this framework, balancing rules were developed side-by-side with other technical regulations.
- (79) Following the country visits, the Central and South Eastern Europe Energy Connectivity ('CESEC') initiative set 16 April 2019 as the realistic deadline for the Code implementation in Romania. In the meantime, a joint working group including the European Commission ('EC'), the Agency, ENTSOG, the Romanian NRA (ANRE) and TSO (TRANSGAZ) worked on a Concept Paper for the implementation of the Entry-Exit System, which was presented to stakeholders in a workshop in the first quarter of 2018 and was implemented by TRANSGAZ on 1 October 2018.
- (80) The NRA reports that, as of 1 October 2018, the Entry-Exit model and the Virtual Trading Point ('VTP') have been fully established, as well as rules on nominations, re-nominations, allocations, balancing, and neutrality provisions.
- (81) Unlike initially reported by the NRA, the Agency notices that information provisions to non-daily metered users have not been implemented according to the Code. This represents an important missing building block for any balancing system.
- (82) Imbalance tolerances, which were used as interim measures, have also been eliminated from 1 October 2018.
- (83) As a side remark, the Agency notes that the existence of multiple trading platforms in Romania, despite a single TSO and balancing zone, may fragment liquidity and hinder the growth of the short-term market.
- (84) Finally, the Agency notes that from 1 May 2019 to 30 June 2020, the domestic gas production sold to household customers and producers of thermal energy for household customers (cogeneration for heating purposes) has a set price of 68 lei/MWh. Suppliers who need to balance their portfolios for the aforementioned customers can use a dedicated market with WD and DA products. The cash-out price in this market, where the initial imbalances are set, cannot exceed 68 lei/MWh. Until December 2019, the total initial daily imbalance subject to trades was 120 TWh, or 0.23% of the total transactions for this segment. Yet the total initial daily imbalance was 3 times higher than the total final commercial imbalance (equal to 44 TWh): this shows that a high share of initial network users' imbalance activity is cleared in a restricted market at a capped price and not exposed to the cash-out prices of the trading platforms according to the Code. The Agency finds this approach not in line with the Code on the specific aspect of cash-out prices. The NRA reports that from 1 July 2020 the entire market will be liberalized, in line with the Third energy package and the balancing activity will be carried out according to the Code.

3.2 Transitory measures (Portugal) and former derogations (FINESTLAT)

- (85) Beyond the interim measures' zones, the Agency has assessed that Portugal still has not completed the implementation of the transitory measures. Among the main criticalities, there is a lack of a balancing or trading platform and of STSPs, which, despite being designed, cannot be used in the absence of a platform. It was expected already as of October 2016 that the MIBGAS trading platform would include the Portuguese balancing zone; despite the efforts of the involved parties, including the market operator, the negotiations allowing the Portuguese access have never been completed. In view of such significant delays, the Agency requests ERSE to develop an alternative plan.

- (86) Finally, on the FINESTLAT region, which had previously benefited from a derogation from the application of the Code, the Agency can conclude that:
- Latvia had implemented certain provisions of the Code autonomously;
 - Estonia and Finland had their own national balancing systems, significantly deviating from the principles of the Code;
 - In January 2020, while the Estonian balancing zone has merged with the Latvian one, Finland has started its own transition towards a Code-compliant balancing system;
 - In both zones (Estonia-Latvia and Finland), the newly designed rules are in the spirit of the Code;
 - The actual implementation of a full market-based balancing could be better evaluated in the course of 2020.

3.3 Comprehensive assessment of all selected zones

- (87) Section 3.3 offers an assessment of the selected balancing zones against important operational elements of the balancing system.
- (88) The compliance with the five main areas of the Code, the share of balancing services over total balancing, and the small adjustments are presented for all IMs zones, Portugal, and FINESTLAT; the merit order is presented for all EU balancing zones⁴⁴.

3.4 Compliance with the five main topics of the Code

- (89) By also considering aspects other than interim measures, Table 3 shows the overall Code compliance of all aforementioned balancing zones. The table summarises the Code's legal provisions into five comprehensive topics as well as a total score. The colour coding offers the following summary finding:
- Germany, Ireland, Lithuania, Poland⁴⁵, and Sweden show high implementation; from January 2020 also the newly merged zone Estonia-Latvia shows signs of high implementation⁴⁶;
 - Bulgaria, Finland, Greece, Portugal, and Slovakia show partial implementation;
 - UK-Northern Ireland shows limited implementation.

⁴⁴ This is to allow a comparison with a similar merit order analysis the Agency performed in the 2017 Report, table 8-1: [https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20\(Second%20edition\)%20Volume%20I.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20(Second%20edition)%20Volume%20I.pdf).

⁴⁵ In one of the Polish balancing zones, the Transit Gas Pipeline System ('TGPS') Yamal-Western Europe, all instruments have been implemented according to the Code, but no balancing activity is performed by the network users nor the TSO due to the specific features of this balancing zone. More details are available in this Report in paragraph (41) and in Annex I A, page 35.

⁴⁶ The Agency's assessment for the Estonian-Latvian merged balancing area is preliminary, given that actual evidence on the functioning of the new system has been available only for two months at time of publishing this Report. At this stage, the evaluation takes stock that the main rules are in place and the actual implementation is envisaged.

Table 3: Overall Code compliance of balancing zones that opted to apply IMs, did not end transitional measures, or were subject to derogation (GY 18/19)^{47,48}

Legend:

High implementation
Partial implementation
Limited implementation

Balancing zones' overall score	Score in the main Code's areas				
	Short-term wholesale market enabling	TSO's use of the short-term balancing market	How a daily cash-out regime is delivered	How the TSO's neutrality is ensured	The termination of interim measures
Bulgaria	Partial	Limited	Partial	High	Partial
Estonia	High	Partial	High	High	N/A
Finland	Partial	Partial	Partial	Partial	N/A
Germany (GPL and NCG)	High	High	High	High	High
Greece	Partial	Partial	High	High	Partial
Ireland	High	High	Limited	High	Partial
Latvia	High	Partial	High	High	N/A
Lithuania	High	High	Limited	High	High
UK - Northern Ireland	Partial	Limited	Limited	High	Limited
Poland (H-calorific zone)	High	High	Partial	High	High
Poland (Yamal transit)	High	Partial	Partial	High	High
Portugal	Partial	Limited	Partial	High	N/A
Romania	Partial	High	Limited	High	High
Slovakia	Partial	Limited	Partial	High	Partial
Sweden	High	High	High	Partial	High

(90) The results presented in Table 3 rely on the Agency's evaluation of NRAs' self-assessment. The Agency did not have the possibility in all instances to verify the full range of information provided, nor the effectiveness of the balancing design adopted. Table 3 shows the key elements of the balancing design, namely:

- Enabling measures, meaning that: a Virtual Trading Point ('VTP') functions to receive trade notifications, the information provision requirements are implemented providing access to information and IT tools support information exchange, no barriers to re-nominations are allowed;
- TSO can access and use a trading platform, where STSPs are available and used as a first source during daily balancing;

⁴⁷ This table is based on the methodology annexed to this Report and separately published. The methodology assigns points for every item analysed in the CASs, except for the within-day obligations. The colour-coding is as follows: 0-50% of full points available: red; 51-80% orange; 81-100% green.

⁴⁸ The compliance for Estonia, Finland, and Latvia is based on the rules applicable as of January 2020 and their actual implementation, to the extent that it had already occurred.

- Daily cash-out of imbalances is fully applied at the end of the Gas Day, and the exposure to the daily cash-out price is not diminished by tolerances nor by other instruments;
- Neutrality of the TSO's balancing activity is ensured by network users being paid back or paying-in, depending on whether the TSO has a positive or a negative balance, respectively; the reporting around neutrality is transparent, its payments are on separated accounts from tariffs;
- Finally, the termination of interim measures.

(91) In this respect, by the 16 April 2019 deadline, the balancing zones applying interim measures were also required fully to align to the Code's requirements. The table shows that some balancing designs are more fragile and still work to get the trading platform design and the daily cash-out pricing right, which are the core features of market-based balancing. The Agency encourages most countries listed in Table 3, with the exception of Germany, to make further effort in strengthening market-based balancing. Depending on the readiness of the balancing design, this entails:

- For some balancing zones, to strengthen the daily cash out price signal;
- For others, the revision of the enabling measures and the creation of a trading platform with relevant STSPs;
- Alternatively, in case enabling measures and trading platforms exist, their strengthening.

(92) The evaluation provided in this Report in the various areas of the Code has a legacy element: looking back, zones which started from low implementation might be prized due to their implementation efforts, and score high in this Report as a result of the progress made; looking forward, zones which have only recently started implementation score high because either their starting point was Code-incompliant or because the adopted methodology prizes envisaged implementation, when new rules have been properly drafted. In both cases, this implies that future Agency's assessments may down-score zones if they fail to keep up with the envisaged implementation pace or the implementation does not positively affects markets.

(93) The Agency reminds as well that good roadmaps shall be agreed between regulators, stakeholders, and TSOs to make the necessary improvements happen. Absent this commitment, no or limited progress will materialise in the future.

(94) Finally, improvements in each of the main areas of the Code translate into actual improvements of the efficiency of local balancing systems, which positively affects wholesale markets and can ultimately translate in benefits for the final consumers.

3.5 Share of balancing services

(95) On top of the regulatory compliance check, the following table shows the short-term market-based orientation of all fifteen balancing zones analysed in detail in this Report. In fact, when balancing services still cover a high share of total balancing, it means that the TSO cannot fully rely on STSPs because the short-term market is not liquid enough.

Table 4: Share of TSOs' balancing services over total TSOs' balancing actions in balancing zones that opted to apply IMs, did not end transitional measures, or were subject to derogation (GY 18/19)

Legend:

Extensive use
Moderate use

Balancing zone	Balancing actions, GY 18/19		
	Total balancing actions [GWh]	Balancing services or assimilated ¹ [GWh]	Share of balancing services [%]
United Kingdom (Northern Ireland)	141	141	100%
Bulgaria	74	74	100%
Estonia	15	15	100%
Slovakia²	18	14	80%
Portugal³	-	-	-
Latvia	2	1	46%
Greece	1,214	422	35%
Lithuania	45	14	31%
Romania⁴	1,085	190	18%
Germany GPL	15,910	230	1.4%
Poland (H-cal national)⁵	1,560	3	0.2%
Germany NCG	53,198	17	0.03%
Ireland	453	-	0%
Sweden	21	-	0%
Finland	DATA NOT PROVIDED		

¹ In terms of deviation from STSPs' trade.

² In Slovakia, the TSOs' balancing activity is very limited, given that it only includes the transmission system, where almost all points are intra-day metered.

³ In Portugal, the TSO primarily uses network users' reserves to balance the network. In GY 18/19, this amounted to 508 GWh that the TSO could use to reintegrate the linepack. This approach could be assimilated to balancing services in terms of deviation from STSPs' trade. Yet this specific way of balancing is not foreseen by the Code, unlike balancing services. The cumulated imbalances used 18 GWh of users' reserves in GY 18/19.

⁴ In Romania, the TSO covered 82% of total balancing actions with STSPs trades, the remaining 18% with TSO's storage. The 18% share could be assimilated to balancing services, in the Agency's view.

⁵ For Poland, the transit Yamal zone is not reported since it shows no imbalances nor balancing actions.

(96) The main messages of the table can be summarised as follows:

- In a few cases, TSOs relied extensively (more than 50% of total balancing actions) on balancing services in GY 18/19: i.e. Bulgaria, Estonia, Slovakia, and UK- Northern Ireland; similarly, Portugal relied 100% on users' reserves, a practice which, like balancing services, deviates from STSPs.
 - In other cases, TSOs still moderately relied (more than 30% of total balancing actions) on balancing services: i.e. in Greece, Latvia, and Lithuania;
 - Romania still relies limitedly on balancing services, through TSO's storage;
 - Only minimal reliance on balancing services took place in Germany and Poland.
- (97) The amount of TSOs' balancing actions varies considerably across the selected balancing zones: this is largely explained by the different size of gas markets (where Germany is outstanding), but also by the different system design, whereby in certain zones the distribution network is not included in the balancing activity of the TSO. Although the Code allows excluding the distribution network from the TSO's balancing domain, the Agency recommends including it to allow network users to balance their position in a market-based manner. Including the distribution network in the TSO's balancing may require improving the information provision, thus may not come free. However, by doing so, short-term market liquidity would increase and increased gas trades may provide healthier markets and thus bring overall benefits.
- (98) The data shown, covering GY 18/19, does not take into account the updated situation of Estonia and Finland, where new rules apply as of January 2020.
- (99) Overall, a properly functioning balancing system where the TSO is only residually active, and mostly on the short-term market, ensures that a fair value of the TSO's gas need is reached through DA or WD market prices. Efficiency gains can arise, benefitting network users in the respective balancing zones, if the share of balancing services decreases in favour trades of STSPs.

3.6 Small adjustments

- (100) One additional element of regulatory design analysed in this Report is the small adjustment. The small adjustment is the penalty network users face on the cost of their imbalance: the higher it is, the higher will be the differential they have to pay compared to the market price, therefore the higher the incentive to be balanced. The small adjustment should be set at such a level to provide a sufficient incentive for network users to balance their own account, rather than being cashed out. Systems which provide high quality information to network users and low trading costs can afford low small adjustments. As table 4 shows:
- Large small adjustments are present in Bulgaria, Greece, Lithuania, Poland (both zones), Romania, and UK-Northern Ireland;
 - Between moderate and large small adjustments in Estonia and Latvia;
 - Moderate small adjustments in Ireland, Portugal, and Slovakia;
 - Between moderate and minimal in Finland and Sweden;
 - Minimal in Germany.
- (101) As an additional piece of information added to Table 4, it is worth mentioning that, since the application date of the Code, Slovakia has decreased its small adjustment (from 10% to 7%), while Ireland has increased it (from 2.5% to 3.5%).

Table 5: Small adjustments applied in balancing zones having opted to apply IMs, not ended transitional measures, or formerly derogated (GY 18/19)

Balancing zone	Small adjustment [%]	Coding
Bulgaria	8%	moderate
Estonia¹	5%	moderate
Finland²	0.5% to 3%	minimal to moderate
Germany GPL	2%	minimal
Germany NCG	2%	minimal
Greece	10%	large
Ireland	3.5%	moderate
Latvia¹	5%	moderate
Lithuania	10%	large
Poland	10%	large
Portugal	2.5%	moderate
Romania	10%	large
Slovakia	7%	moderate
Sweden²	0.5% to 3%	minimal to moderate
United Kingdom -Northern Ireland³	30% or 50%	large

¹ Applicable as of 1 January 2020.

² Dependig on the of the amount of the imbalance.

³ The small adjustment is asymmetric: 30% applies in case network users have to sell gas, 50% if they have to buy gas.

3.7 Merit order

- (102) The table below shows the order TSOs follow when selecting means to balance the gas network in the analysed balancing zones. The table is an update of the one presented in the Agency's Report in 2017⁴⁹. The classification in clusters represents the implementation date: balancing zones included in the cluster 2015 have opted to implement the Code in full since its entry into force; those labelled with 2016 had opted for transitory measures; those labelled with 2019 had opted for interim measures; the balancing zones of formerly derogated MSs had not been assessed in previous editions. The Agency could verify the information presented for Germany, Portugal, cluster 2019 and formerly derogated MSs; for the remaining balancing zones, the Agency fully relies on NRAs' self-reporting.
- (103) Specifically, Table 6 and its footnotes consider the theoretical and real situation in the specific network: cases exist where national balancing rules state a theoretical merit order, however, due to the lack of liquidity, the TSO adopts a different one. When discrepancies between the theoretical and actual merit order exist, the Agency, with the help of the NRAs, has tried to highlight it in the notes of the table.

Table 6: Merit order formally adopted in all EU balancing zones as reported by the NRAs (GY 18/19)

Platform and products		Cluster 2015									Cluster 2016					Cluster 2019									Formerly derogated MSs			
Trading Platform		AT	BELUX	DE	DK ¹	FR	HU	NL	SI	UK-GB	CZ	ES	HR	IT	PT ²	BG ³	EL	IE	LT ⁴	PL	PL_T	RO	SE ⁵	SK ⁵	UK-NI	LV	EE ⁶	FI
Title	within day	1	1	1	1	1	1	1	1	1	1	1	1	1	*	1*	1	1	1	1		1	1			1	1	1*
	day-ahead			1			1		2		2	2	1	3	*	2*			2	2	1*	2				1	1	2*
Locational	within day			2		2	2			2		3	2	2	*	2*												
	day ahead			2			2					4	2	4	*	2*												
Temporal	within day			2				2								2*												
Trading with adjacent zones				2							3									3*	2*				3*			
Balancing Platform																												
Title																	1							1				
Locational																												
Balancing services									3**			3	5*	*	3	2		3**	4**				2	1	2	2	2	1
Options designed nationally: weekly trades															1													

¹ DK and SE merged into a single balancing zone in April 2020.

² PT will eventually have a similar merit order as ES in order to use the Mibgas Platform jointly. Until then, the TSO relies on Code-incompliant solutions: weekly trades and users' reserves.

³ BG: planned merit order, currently only balancing services are used.

⁴ LT: despite having balancing services reported as rarely used, in GY 18/19 31% of total TSO's balancing used this option.

⁵ SK: despite having title products as first in the merit order, it uses primarily balancing services, due to lack of liquidity of the BP.

⁶ EE has introduced title products WD and DA respectively as first and second in the merit order as of January 2020. Data are not yet available.

- (104) This edition does not include a quantitative section that brings additional insight on the volumes TSOs procured through the different options available in their merit orders. Yet, the changes occurred in the merit order compared to 2017, labelled in yellow in the table; show that balancing systems across the EU have evolved. According to the NRAs' reporting, the main changes to the merit orders took place in:

- **Germany:** phasing out of the balancing platform;
- **Hungary:** day-ahead and within-day title products are both in the first position;

⁴⁹ For the sake of comparison, please see table 8-1 at page 92 of the ACER Report on the implementation of the Balancing Network Code (Second edition) Volume I: [https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20\(Second%20edition\)%20Volume%20I.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20(Second%20edition)%20Volume%20I.pdf)

- **Slovenia:** balancing services are only rarely used;
- **Czech Republic:** balancing services phased out;
- **Bulgaria:** the planned merit order is the one foreseen once the balancing system is fully operational according to the new rules of July 2019 (in practice, still only balancing services are used);
- **Greece:** title products on the balancing platform are offered and rank first;
- **Ireland:** balancing services phased out as of June 2018;
- **Lithuania:** title products on trading platform become the primary choice, while balancing services are used less intensely, even though not rarely (see data in Table 3);
- **Poland:** the balancing platform has been phased out, thus locational products are no longer traded; balancing services are rarely used;
- **Poland transit:** the balancing platform has been phased out;
- **Romania:** balancing services phased out⁵⁰, title products rank first;
- **Sweden:** nationally designed option (weekly trades) phased out in favour of title products on trading platform after merger with Denmark;
- **Slovakia:** introduced the possibility to trade with adjacent zones, even though it has not been used yet;

(105) For the first time, the Agency has assessed the merit order in previously derogated countries such as Estonia, Finland, and Latvia. **Estonia**, where the TSO has exclusively used balancing services in GY 18/19, plans to change its merit order from January 2020. In **Finland**, the TSO plans to use title products as primary tool from January 2020.

(106) In **Latvia**, already in GY 18/19, the TSO has procured title products on the trading platform GET Baltic and, secondarily, balancing services.

(107) Overall:

- Only two zones relied on **balancing platforms** (Greece and Slovakia);
- Eleven zones (Bulgaria, Croatia, Estonia, Greece, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, and UK-Northern Ireland) could still rely on **balancing services**⁵¹.
- Crossing the information of Tables 4 and 6 allows to state that, beyond the formal merit order, Bulgaria, Estonia, Portugal, Slovakia, and UK-Northern Ireland in GY 18/19 extensively used services other than STSPs.

⁵⁰ According to the data reported by the NRA in Table 4, in GY 18/19 the TSO still used storage to balance 18% of total network imbalance.

⁵¹ Beyond these zones, in Italy the TSO can rely on the market for gas in storage on top of STSPs. More details are provided in the Second Agency's Report, Volume II, CAS of Italy (page 42), box "TSO uses Trading Platform as first gas source":

[https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/A_CER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20\(Second%20edition\)%20Volume%20I.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/A_CER%20Report%20on%20the%20implementation%20of%20the%20Balancing%20Network%20Code%20(Second%20edition)%20Volume%20I.pdf)

- Five zones can rely on **balancing via adjacent zones**: the Czech Republic, Germany (both zones)⁵², Poland (both zones) and Slovakia; this possibility was used in Poland (both zones) and Slovakia.

⁵² In the market area Gaspool, this happened on 224 days, when the MAMs traded via TTF: buying 5.2 TWh and selling 0.078 TWh.

3.8 When feedback guides change: the new Austrian balancing model

Austria is not among the countries that have opted for interim measures and is out of the detailed scope of this Report. Yet, since the last Agency Reports pointed to a number of necessary improvements to the Austrian gas balancing model to ensure its compliance with the Code and since the NRA has decided to address them, this Report hosts a box on the new Austrian balancing model.

The Agency has not assessed the new Austrian balancing system, since out of the scope of the present Report. However, it welcomes that its past Reports have been effective in providing an incentive for the TSOs, NRA, and stakeholders to revise the old balancing system. This is why the Agency welcomes E-Control's update on this topic in this Report.

Together with the national legal obligation, the previous Agency Reports have been the basis for starting a process of redesigning the Austrian gas balancing model in early 2018. This process included comprehensive stakeholder involvement and was finalised with the publication of the new Gas-Market-Model-Ordinance 2020 by E-Control in late 2019. According to the NRA, the new model, which will enter into force on 1 October 2021, will feature:

- Integrated daily balancing for transmission and distribution, with the same rules for all entry-exit points and a single balancing system;
- Commercial balancing in line with the provisions of the Code, which provides market participants sufficient flexibility for market-based balancing;
- Operational balancing predominantly based on STSP;
- Within-day obligations for balancing portfolios that complement the daily balancing regime to ensure smooth network operation while unlocking the full potential of available network flexibility for network users;
- A single balancing entity that holds responsible for coordinating and executing balancing-related processes including risk management and neutrality mechanism;
- Provision of comprehensive information about the position of each individual balancing portfolio and of the market area.

In the next step, the new balancing entity will be appointed. Moreover, general terms and conditions of all involved system operators and the market codes detailing the various market processes need to be prepared. This process will include further opportunities for stakeholder involvement. Additional information is provided at the E-Control website⁵³.

⁵³ Link Website: <https://www.e-control.at/en/marktteilnehmer/gas/weiterentwicklung-bilanzierungsmodell>

Link Ordinance (Official, in German):

https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA_2019_II_425/BGBLA_2019_II_425.pdf.sig

Link Ordinance (English, Courtesy version):

https://www.e-control.at/documents/1785851/1811597/Neufassung+GMMO-VO+2020_beschlossen_191219_en.pdf/c6472c08-a6ce-0b83-f4b0-3cc61bbaf03b?t=1579255839793

Final concept for redesigning the gas balancing model (English): https://www.e-control.at/documents/1785851/1811582/Konzept+Weiterentwicklung+Bilanzierungsmodell+%28%20C3%BCberarbeitet+final%29+190613_en.pdf/69abdc56-36b7-4b47-44bf-b2833d91ea44?t=1562249625906

4 Next steps for the Agency

- (108) The Agency observes that there are a number of balancing zones that require continuous monitoring in the coming years to ensure that a high compliance with the Code is reached⁵⁴.
- (109) With this in mind, the Agency will check whether the laggard MSs to meet full compliance with the Code developed the missing balancing design elements. Therefore, future implementation monitoring reports will seek to:
- Monitor the evolution of the previously analysed balancing regimes and establish best practices in key implementation areas;
 - Initiate a discussion with NRAs and stakeholders on whether elements of the Code need to be amended;
 - Make recommendations to laggard countries and the EC, including on whether consideration should be given to infringement proceedings;
 - Collect potential balancing design complaints or complaints on non-compliance of the balancing regimes, or about the ways to improve their implementation via the Functionality Platform⁵⁵ governed jointly by the Agency and ENTSOG.
- (110) Besides this, the Agency will aim at offering a broader quantitative assessment for more Member States and apply the *Analytical Framework* to a larger set of balancing zones. The actual depth of such analysis will depend on the datasets made available by the TSOs in collaboration with ENTSOG. The Agency intends to build on the cooperation offered by the NRAs and key stakeholders willing to explain the daily balancing operations per balancing regime falling in the scope of this analysis and contribute to the efforts of the Agency's quantitative assessment. The Agency welcomes feedback from stakeholders on this Report and its previous Reports.

⁵⁴ These may include all the zones that have not terminated interim measures and the FINESTLAT, which is in a transitional phase.

⁵⁵ <http://www.gasncfunc.eu/>

Annex 1: Summary tables assessing implementation

A. Balancing zones that terminated all interim measures

DE - Germany (Net Connect Germany ('NCG') and Gaspool ('GPL'))

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>Useful links:</p> <p>NCG shows both aggregate imbalances of all network users and linepack information:</p> <p>https://www.net-connect-germany.de/en-gb/Transparency-information/Aggregate-Imbalance-Position</p> <p>https://www.net-connect-germany.de/en-gb/Transparency-information/Linepack</p> <p>GPL provides the aggregate imbalances of all network users, but no information on linepack:</p> <p>http://www.gaspool.de/no_cache/en/publications/aggregated-balancing-status/</p>
TSO's use of the short-term balancing market		<p>The information required by Article 9(4) is published by NCG and GPL:</p> <p>https://www.net-connect-germany.de/en-gb/Information/Balancing-Gas-Supplier/Publications/External-Balancing-Activities</p> <p>http://www.gaspool.de/en/services/balancing-energy/utilization-of-control-energy/commodity/</p>
How a daily cash-out regime is delivered		<p>The small adjustments is 2% of the weighted average price.</p> <p>No tolerances and no linepack flexibility service apply.</p> <p>The prices are derived from the respective trading platforms.</p>
How the TSO's neutrality is ensured		<p>Neutrality pots for intra-day metered ('IDM') and non-daily metered ('NDM') are separated (variant 2 information model)</p>
The termination of interim measures		<p>The NRA approved the balancing platform until April 2019. Due to its limited use, the instrument was terminated by January 2018.</p>
Overall		

Recommendation to the NRA:

- No specific recommendation emerging from the analyses carried out in this Report

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>The renomination cycles are generally implemented.</p> <p>Restrictions to renominations, deviating from the Code, still exist for the users transiting gas to the Russian Federation (Kaliningrad).</p> <p>The TSO publishes the system imbalance position and forecast: https://www.ambergrid.lt/en/services/balancing/inbalancing</p>
TSO's use of the short-term balancing market		<p>Amber Grid publishes summary ex-post monthly statistics on its website: https://www.ambergrid.lt/en/transportation-services/balancing/balancing-actions</p> <p>In GY 18/19, balancing services represented 31% percent of the TSO's balancing volume.</p>
How a daily cash-out regime is delivered		<p>Full daily cash-out is not implemented due to the possibility to trade a product that allows networks users to exchange their imbalances after the end of the gas day.</p> <p>Following the NRA's request, the TSO stated it could not provide how much daily imbalance is cleared using this product. The NRA estimated that, since the overall imbalance volume of network users is very low, the majority of network users' imbalance is adjusted by using previous day product.</p> <p>A large (10%) small adjustment is applied.</p>
How the TSO's neutrality is ensured		<p>National rules foresee that the balancing activity of the TSO is neutral and that the neutrality fee shall be separated from other transmission tariffs from 1 January 2020.</p> <p>The TSO publishes neutrality information to network users on a monthly basis in their invoices for transmission services.</p> <p>https://www.e-tar.lt/portal/lt/legalAct/2fd91460c89811e8bf37fd1541d65f38</p> <p>The NRA intends to check that the actual value of the neutrality fee is indeed based on the balancing market activity.</p>
The termination of interim measures		<p>Tolerances, previously adopted as an interim measure, were abolished since 1 April 2019.</p> <p>https://www.ambergrid.lt/en/services/balancing/rules-of-balancing</p>
Overall		

Recommendations to the NRA:

- Ensure that users of the transiting gas from Belarus to the Russian Federation (Kaliningrad) are treated like all other network users, according to the Code;
- Terminate the use of the previous-day balancing product by resorting only to DA and WD products in order to deliver a full daily cash-out regime;
- Further decrease the use of balancing services in favour of STSPs;
- Consider if conditions to decrease the small adjustment exist.

PL - Poland high calorific zone

Key features	Evaluation	Comments
Short-term wholesale market enabling		Trade notifications can be processed in up to 120 minutes, but in practice they are processed instantly.
TSO's use of the short-term balancing market		The publications on balancing costs are available on a monthly and yearly basis: http://en.gaz-system.pl/customer-zone/tariff/balancing/balancing-actions-nc-bal/ http://en.gaz-system.pl/customer-zone/tariff/balancing/mechanism-for-assuring-cost-neutrality/
How a daily cash-out regime is delivered		The small adjustment represents 10% of the weighted average price, which is based on the within-day exchange price index. No tolerances nor linepack flexibility services apply.
How the TSO's neutrality is ensured		Monthly neutrality report is available at: http://en.gaz-system.pl/customer-zone/tariff/balancing/mechanism-for-assuring-cost-neutrality/
The termination of interim measures		All interim measures have been removed as of 1 April 2019.
Overall		

Recommendation to the NRA:

- Consider if conditions to decrease the small adjustment exist.

PL - Poland Yamal transit zone

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>The TSO publishes the aggregate imbalance position of all users: http://en.gaz-system.pl/en/customer-zone/transit-yamal-pipeline/tsotransparencytemplate0/</p> <p>As for the high calorific zone, TGE provides the trading platform. The trading platform has never been used: https://www.tge.pl/gaz-rdn</p>
TSO's use of the short-term balancing market		<p>A yearly summary of the costs is available at: http://en.gaz-system.pl/customer-zone/tariff/balancing/balancing-actions-nc-bal/</p> <p>The national code prescribes the title product as primary tool, but it was never used, as the system was never out of balance.</p>
How a daily cash-out regime is delivered		<p>The small adjustment represents 10% of the weighted average price, which is quite large.</p> <p>No tolerances, no linepack flexibility services.</p> <p>The cash-out price was never charged, as there was no imbalance so far.</p>
How the TSO's neutrality is ensured		<p>Monthly neutrality reports are available at: http://en.gaz-system.pl/customer-zone/tariff/balancing/mechanism-for-assuring-cost-neutrality/</p> <p>The reports are empty for this balancing zone, since there is no balancing activity.</p>
The termination of interim measures		<p>All interim measures (balancing platform and interim imbalance charge) have been removed as from 1 April 2019. The interim measures were never used.</p>
Overall		

Recommendations to the NRA:

- No balancing activity takes place in this zone; however, merging with the Polish national high calorific zone may increase trading possibilities;
- Consider if conditions to decrease the small adjustment exist.

Key features	Evaluation	Comments
Short-term wholesale market enabling		The system commercial status is published at the end of every gas day: http://online.energinet.dk/data/Pages/System-Commercial-Balance.aspx?gasday=22-10-2019
TSO's use of the short-term balancing market		The balancing area manager publishes prices for balancing daily. ETF Pegas (formerly Gaspoint nordic) offers title WD products. https://www.powernext.com/sites/default/files/download_center_files/ETF_0.pdf
How a daily cash-out regime is delivered		A dual system of small adjustments is in place: <ul style="list-style-type: none"> • 0,5% within the published balancing bands; • in addition, 3% if it is breached. <p>The balancing band is published and updated daily and varies with system operation.</p> <p>No tolerances nor linepack flexibility services are applied.</p>
How the TSO's neutrality is ensured		The NRA indicates the following information source: https://en.energinet.dk/Gas/Tariffs-and-Fees The neutrality fee is not separate from other transmission tariffs, but is of a very modest amount.
The termination of interim measures		Interim measures previously applied no longer apply as of 1 April 2019.
Overall		

Recommendation to the NRA:

- Periodically verify the amount of the neutrality account to ensure it is compatible with its current design.

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>Information provision on non-daily metered offtakes has not yet been implemented according to the Code.</p> <p>Details of each balancing action taken are published: http://www.transgaz.ro/en/clients/operational-data/balancing-actions-ots</p> <p>There are four licensed market operators: two of them (BRM and OPCOM) are active as trading platforms.</p> <ul style="list-style-type: none"> • OPCOM: https://www.opcom.ro/pp/home.php • BRM: http://www.brm.ro/ <p>Each market operator offers STSPs.</p> <p>The other two operators are S.C. Humintrade S.R.L. and S.C. Tradex Platform S.R.L. They also have a license to operate the centralized gas market and are in the process of implementing trading software.</p>
TSO's use of the short-term balancing market		<p>Balancing is ensured through title STSPs. The same title products are sold in the two operational platforms.</p> <p>TSO publishes the balancing costs: http://www.transgaz.ro/en/clients/operational-data/balancing-actions-ots</p>
How a daily cash-out regime is delivered		<p>A high share of initial network users' imbalance activity is cleared in a restricted market at a capped price and not exposed to the cash-out prices of the trading platforms according to the Code, as explained in paragraph (48) of this Report.</p> <p>The small adjustment is 10%.</p>
How the TSO's neutrality is ensured		<p>According to ANRE, neutrality is fully implemented.</p> <p>The value of the neutrality account is apportioned to the users at the end of each settlement period, based on the neutrality rate determined.</p> <p>The neutrality rates paid by or to the users will be proportional to the quantity of natural gas transported during the settlement period by the each user.</p>
The termination of interim measures		<p>All interim measures previously in place (tolerances, interim imbalance price, and alternative to a balancing platform) have been terminated by 1 October 2018.</p>
Overall		

Recommendations to the NRA:

- Implement a Code-compliant methodology to forecast offtakes of non-daily metered users;
- Terminate the current price-cap system and allow all imbalances to be exposed to the cash-out price according to the Code;
- Consider centralising liquidity on a single trading platform;
- Consider if conditions to decrease the small adjustment exists.

B. Balancing zones that only kept tolerances

IE - Ireland

Key features	Evaluation	Comments
Short-term wholesale market enabling		Information on shippers' end-of-day imbalance position and forecast, alongside other system related information, is available at: https://www.gasnetworks.ie/corporate/gas-regulation/transparency-and-publicat/dashboard-reporting/
TSO's use of the short-term balancing market		Information on balancing action costs is available at: https://www.gasnetworks.ie/corporate/gas-regulation/transparency-and-publicat/dashboard-reporting/
How a daily cash-out regime is delivered		<p>The full daily imbalance is cashed out each day.</p> <p>Yet tolerances apply at present. In April 2019, following stakeholders' (including ACER) feedback, the tolerances have been removed or decreased. The remaining tolerances will be reviewed in Q4 2019 in view of their termination.</p> <p>The tolerances are described in Section 1.7 of Part E of the Code of Operations: https://www.gasnetworks.ie/corporate/gas-regulation/service-for-suppliers/code-of-operations/PART-E-(Balancing-Shrinkage)-(final-clean)-Version-5.03-.pdf</p>
How the TSO's neutrality is ensured		<p>Neutrality principles apply not only to balancing, but also to the costs of the provision of shrinkage gas⁵⁶.</p> <p>Currently, a monthly settlement to network users from the disbursements account is in place.</p>
The termination of interim measures		<p>Tolerances have been reduced, but still exist.</p> <p>The CRU has been collecting data on the efficiency of the tolerances and will soon commence a consultation with industry to assess the feasibility of removing the tolerances by October 2020, in time for the next Gas Year. The CRU expects to be able to remove the tolerances by that time, in the absence of evidence that doing so would detrimentally influence the gas market.</p>
Overall		

Recommendation to the NRA:

- Enforce termination of imbalance tolerances.

⁵⁶ Shrinkage covers compressor fuel usage, calorific value losses, and unaccounted gas after measuring inputs and outputs of the system.

C. Balancing zones that kept balancing platforms and interim charges

EL - Greece

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>Daily linepack values and hourly forecast are provided: https://www.desfa.gr/regulated-services/transmission/pliroforisimetaforas-page/linepack-calculation</p> <p>Aggregate network imbalance forecast is not provided.</p> <p>The nominations are processed by the TSO within 120 minutes.</p>
TSO's use of the short-term balancing market		<p>The TSO uses the balancing platform as the first gas source.</p> <p>The market is aware, with daily updates, of all relevant balancing trades (volumes and unit prices):</p> <ul style="list-style-type: none"> • STSPs: https://www.desfa.gr/regulated-services/transmission/pliroforisimetaforas-page/info1 • (VTP) Balancing services: https://www.desfa.gr/regulated-services/balancing/costs • Imbalance charge: https://www.desfa.gr/en/regulated-services/balancing/daily-price
How a daily cash-out regime is delivered		<p>The cash-out price derives from trades on the national balancing platform. If there are no trades, the cash-out price derives from the daily price of the Dutch market Title Transfer Facility ('TTF'). In GY 18/19 the latter condition never occurred.</p> <p>The small adjustment is 10%.</p>
How the TSO's neutrality is ensured		<p>Net balancing neutrality costs of each month are distributed back to the users proportionately to the total throughput of each user: https://www.desfa.gr/en/regulated-services/balancing/costs</p>
The termination of interim measures		<p>RAE has approved a second interim measures report for the extension of the operation of the balancing platform maximum for a year after the operation of the trading platform or for five years (whatever comes first). The operation of a trading platform and the application of related cash-out prices will lead to the removal of interim measures.</p> <p>No updated interim measure report is planned.</p> <p>No tolerance applies since 1 January 2019.</p>
Overall		

Recommendations to the NRA:

- Closely follow up on the implementation of the trading platform and termination of interim measures by applying the related cash-out prices.
- Consider if conditions to decrease the small adjustment exist.

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>Only old legacy contracts present renomination restrictions. In GY 2018/19, this accounted for 73% at Velke Kapusany (entry), 50% at Lanzhot (exit), and 81% at Baumgarten (exit).</p> <p>Eustream publishes the projection for the end-of-day aggregated system imbalance. The data is updated hourly: https://tis.eustream.sk/TisWeb/#/?nav=bal.sysimb</p> <p>Trade notifications are processed within 120 mins.</p>
TSO's use of the short-term balancing market		<p>In GY 18/19 Eustream conducted four balancing actions on the balancing platform, out of which three were not successful due to lack of liquidity; balancing services were used in these cases, as an alternative.</p> <p>The balancing activity does not cover the distribution network. This system excludes a sensible amount of gas from TSOs and network users' possible trading activity.</p> <p>Eustream discloses information for the running month, auction history, and yearly summary:</p> <ul style="list-style-type: none"> • http://www.eustream.sk/files/docs/eng/Neutrality_account.pdf • https://tis.eustream.sk/TisWeb/#/?nav=bal.bp.bba • http://www.eustream.sk/en_transmission-system/en_other-information/en_3122014-requirements
How a daily cash-out regime is delivered		<p>The small adjustment has been decreased from 10% to the current level of 7% as of 14 December 2016.</p> <p>Prices are based on the balancing platform trades, or, in their absence, on the Austrian market Central European Gas Exchange ('CEGH').</p>
How the TSO's neutrality is ensured		<p>The general principles of the methodology are available at: https://www.eustream.sk/files/docs/eng/price_decision_2017.pdf</p>
The termination of interim measures		<p>Eustream has been discussing with energy exchange service providers solutions to start and operate a national trading platform. The main target is to abolish the interim measures by 2024.</p> <p>Eustream will yearly, by 1 October, submit an evaluation report on the Code's implementation, to assess the effectiveness of the interim measures and market liquidity.</p>
Overall		

Recommendations to the NRA:

- Speed up the creation of a trading platform to allow the termination of interim measures via the application of the related cash-out prices, and TSO's balancing primarily based on STSPs trades;
- Consider including the distribution system into the TSO's balancing regime;
- Consider if conditions to further decrease the small adjustment exist.

D. Balancing zones that kept other interim measures

BG - Bulgaria

Key features	Evaluation	Comments
Short-term wholesale market enabling		Trade notifications are processed within 120 mins. Hourly updated linepack and its end-of-day forecast are available: https://bulgartransgaz.bg/bg/pages/linepack-144.html
TSO's use of the short-term balancing market		Information about balancing actions and costs is available as of 1 October 2017: https://bulgartransgaz.bg/en/pages/balansirane-143.html The TSO uses alternatives to a balancing platform: the current system relies on balancing service contracts. EWRC indicates that balancing services could be gradually reduced once the trading platform is operational.
How a daily cash-out regime is delivered		Small adjustment is 8% as of 1 October 2018, decreased from 10%.
How the TSO's neutrality is ensured		The new methodology for calculation of imbalance and neutrality charges provides for neutrality arrangement in compliance with the Code as of 1 October 2019.
The termination of interim measures		The tolerances have ended with the new balancing rules entering into force. The trading platform has started in January 2020, as a consequence: <ul style="list-style-type: none"> the alternative to a balancing platform (gas procured through balancing services and stored in TSO's own storage, linepack); The interim imbalance price shall be ended with a two-month transitory period after the trading platform is considered as fully functional.
Overall		

Recommendations to the NRA:

- Follow up on market liquidity to ensure that interim measures can be terminated through the implementation of cash-out prices based on the national trading platform and TSO's balancing primarily through STSPs;
- Consider if conditions to decrease the small adjustment exist.

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>Information is available to network users only when logged in the TSOs' IT System, Delphi.</p> <p>One value for each gas day is supplied and one forecast: http://gmo-ni.com/transparency</p> <p>No hourly updates within-day of projected closing linepack are delivered.</p>
TSO's use of the short-term balancing market		<p>The TSOs annually publish information on the costs, frequency and quantity of all balancing actions on a daily basis: http://gmo-ni.com/transparency/balancing-actions</p> <p>The TSO balances the network by exclusively relying on balancing services purchased by network users from the market in Great Britain.</p> <p>The contracts are tendered and awarded on a yearly basis to companies registered to trade in GB and to ship to Northern Ireland. The NRA shall review, on an annual basis, the necessity of such services.</p>
How a daily cash-out regime is delivered		<p>Full daily cash-out not implemented.</p> <p>Small adjustment considered as large. Shortfalls beyond the tolerance are charged at 150% of the GB SAP, whereas over deliveries are paid at 70% of GB SAP.</p>
How the TSO's neutrality is ensured		<p>Monthly financial neutrality invoicing takes place: http://gmo-ni.com/network-gas-transmission-code</p>
The termination of interim measures		<p>All IMs have been retained.</p> <p>The TSOs will investigate what changes are needed so that the current trading arrangements would comply as a long-term solution of trading in an adjacent balancing zone.</p> <p>The TSOs submitted further draft Interim Measures reports in early 2019, based on which the NRA has asked for a clearer plan to move out of interim measures.</p>
Overall		

Recommendations to the NRA:

- Currently the TSOs annually publish information on the costs, frequency and quantity of all balancing actions on a daily basis; the Agency recommends more frequent publication;
- Consider all possible options to increase Code compliance and make cash-out prices closer to market prices.

E. Balancing zones that have not terminated transitory measures

PT - Portugal

Key features	Evaluation	Comments
Short-term wholesale market enabling		DA trade notifications are confirmed up to 120 minutes after submission; for WD trade notifications, confirmation is processed up to 30 minutes after submission.
TSO's use of the short-term balancing market		<p>The use of the MIBGAS trading platform as the first source for gas balancing in Portugal will be assessed once the TP starts its operations in the country.</p> <p>The use of STSPs for balancing actions by the TSO is defined in national regulation (art. 32nd of Regulation nr. 417/2016 [link: https://dre.pt/application/conteudo/74305702]).</p> <p>The merit order is based on title products (WD and DA) and balancing services. However, this is suspended until a trading platform is established for the Portuguese VTP.</p> <p>The TSO uses the electricity derivatives market operator ('OMIP') for buying and selling balancing gas on a weekly basis (balancing actions auctions, as a secondary tool), if needed, along with the gas reserves (primary tool) made available by the users. These measures are transitory.</p> <p>The merit order is described here [in Portuguese language]: https://dre.pt/application/conteudo/75603348</p> <p>The balancing rules determine that the TSO uses title products (as primary tool) but these rules are not applicable until a trading platform is in operation. A framework for balancing services is in place, if needed. In practice, in GY 18/19, there were no balancing actions and the TSO relied on users' reserve and linepack flexibility.</p>
How a daily cash-out regime is delivered		<p>Presently, daily cash-out prices are set taking the MIBGAS Spanish zone trades as a reference and including the daily transmission tariffs to flow gas between Spain and Portugal. The rule is applied until the implementation of the implicit capacity allocation mechanism takes place.</p> <p>When a reference price exists for Portuguese VTP, the Spanish price will only be used as a backup solution.</p> <p>Moderate small adjustment in place.</p>
How the TSO's neutrality is ensured		The neutrality charge data is published by the TSO on the website: https://www.ign.ren.pt/neutralidade
Overall		

Recommendation to the NRA:

- Solve the trading platform stalemate to provide STSPs' balancing possibility and unlock chances of Code implementation.

F. Balancing zones formerly subject to derogation

EE - Estonia

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>Network users are provided with the information about the system operator's balancing actions, inputs and off-takes for the gas day, and status of the transmission system.</p> <p>From 2020 aggregated imbalances will be published.</p> <p>Quantities of all TSO's balancing actions will be published D+1 starting from 2020 on Elering web dashboard, currently available here: https://capacity.conexus.lv/?id=166&lang=eng</p>
TSO's use of the short-term balancing market		<p>In GY 18/19, the TSO relied 100% on balancing services.</p> <p>Since January 2020, the trading platform is the first gas source of TSO balancing actions.</p> <p>Yet, until liquidity is sufficient, the TSO can also relies on balancing services.</p>
How a daily cash-out regime is delivered		<p>No tolerances are applied.</p> <p>Since January 2020, the marginal buy and sell price is calculated based on all day ahead and within-day trades in title products on the trading platform: https://dashboard.elering.ee/en/gas-balance/prices?start=2020-01-31+22%3A00%3A00&end=2020-02-29+22%3A00%3A00&period=month</p> <p>A 5%-to-10% small adjustment is in place.</p>
How the TSO's neutrality is ensured		<p>According to the neutrality charge calculation methodology, all costs and revenues of the balancing actions will be allocated to the neutrality charge and paid by/to the network users.</p> <p>https://elering.ee/en/balance-agreement-0</p>
Overall		

Recommendations to the NRA:

- Intensify the use of market-based balancing through STSPs:
- Monitor the implementation of the new balancing regime in the merged area Estonia-Latvia to ensure that full application of the Code is reached.

FI - Finland

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>The trading platform is available (GET Baltic). GET Baltic administrates the electronic trading system for trading spot and forward natural gas products with physical delivery in the market areas located in Lithuania, Latvia, Estonia and Finland: https://www.getbaltic.com/en/</p> <p>The Finnish TSO has not yet used the trading platform to balance the network.</p> <p>Information regarding balancing is provided in the TSO's portal: https://gasgridportal.fi/. It is only available for the users.</p>
TSO's use of the short-term balancing market		<p>According to the rules confirmed by the NRA, the TSO will use balancing services as a last resort.</p> <p>In GY 18/19, the TSO used exclusively balancing services.</p> <p>It is expected that the TSO will be able to decrease the use of balancing services by the end of 2020.</p>
How a daily cash-out regime is delivered		<p>Minimal to moderate small adjustment, 0.5% or 3%, depending on the total system imbalance.</p>
How the TSO's neutrality is ensured		<p>The neutrality rules are envisaged.</p>
Overall		

Recommendation to the NRA:

- On all main areas of the Code, ensure a fast and smooth transition to the newly designed balancing regime.

LV - Latvia

Key features	Evaluation	Comments
Short-term wholesale market enabling		<p>The TSO (JSC Conexus Baltic Grid) registers and publishes information regarding capacity available, nominations and allocations, capacity actually used, all network users' imbalance position, balancing prices, balancing action costs etc.:</p> <p>https://capacity.conexus.lv/?lang=eng</p> <p>Linepack information is not published.</p>
TSO's use of the short-term balancing market		<p>Information is published on the TSO's website: https://capacity.conexus.lv/?id=166&lang=eng</p> <p>The use of balancing services as the alternative to a balancing platform ended with the expiry of the general agreements on 30 October 2018 and with the TSO entering the contract with UAB GET Baltic on 27 February 2019. Balancing services are still used in case of lack of liquidity on the STSPs' market.</p> <p>In GY 18/19, balancing services covered 830 MWh, or 46% of total balancing actions. STSPs covered 960 MWh, or 54% of total balancing actions.</p>
How a daily cash-out regime is delivered		<p>From 1 January 2020, the small adjustment can range between 5% and 10%.</p>
How the TSO's neutrality is ensured		<p>Common Balancing Regulations for Estonian and Latvian balancing zone from 1 January 2020 foresee neutrality charge in line with the Code:</p> <p>https://capacity.conexus.lv/?id=237&lang=eng</p>
Overall		

Recommendations to the NRA:

- Increase the share of market-based balancing through STSPs;
- Monitor the implementation of the new balancing regime in the merged area Estonia-Latvia to ensure that full application of the Code is reached.

Annex 2: List of abbreviations and country codes

Acronym	Definition
ACER	European Union Agency for the Cooperation of Energy Regulators
BAs	Balance Administrators
Analytical Framework	Balancing Analytical Framework
Code	Balancing Network Code
NBP	British National Balancing Point
Central European Gas Hub	CEGH
CESEC	Central and South Eastern Europe Energy Connectivity
CAS	Country Assessment Sheet
DA	Day Ahead
DSO	Distribution System Operator
OMIP	Electricity derivatives market operator
ENTSOG	European Network of Transmission System Operators for Gas
GY 18/19	Gas Year 2018/19
GPL	Gaspool
ITC	Inter-TSOs Compensation Scheme
IM	Interim Measures
IDM/NDM	Intraday metered / Non daily metered
IBP	Irish Balancing Point
JBZ	Joint Balancing Zone
MAMs	Market Area Managers
MSs	Member States
NRAs	National Regulatory Authorities
NCG	Net Connect Germany
GMO NI	Northern-Irish gas market operator
OTC	Over-the-counter
Poland (H-cal national)	Poland (national high-calorific zone)
Report	Fourth Report on the Implementation of the Balancing Network Code
RPM	Reference Price Methodology
FINESTLAT	Region of Estonia, Latvia, and Finland
STSPs	Short Term Standardised Products
TGE	Polish Power Exchanges
TP	Trading Platform
TSO	Transmission System Operator
VTP	Virtual Trading Point
WD	Within day

Acronym	Country
AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
FI	Finland
FR	France
UK	United Kingdom
EL	Greece
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LUX	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK-NI	Northern-Ireland



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