

## Appendix 1: Public consultation

This “Appendix 1: Public consultation” is an appendix to Energinet’s “submission of Methodology for Approval of changes to the balancing model” dated 3 July 2018.

On 30 May 2018, Energinet forwarded the public consultation on all Tyra market measures to all market participants via Anmodning@energinet.dk, including the balancing topics included in the Submission<sup>1</sup>.

Energinet has received a total of 4 responses. The consultation responses are forwarded to DERA/DUR in connection with this Submission, together with the consultation document.

In the following the comments made in regard to the specific topics of this Submission are listed, including Energinet’s response.

### Comments made towards removal of price caps

- One market participant agrees that it is a good idea to remove the price caps
- At the same time the same market participant mentions that Energinet should be careful when trading in the yellow zone
- The market participant suggests that there should be a fallback solution on balancing prices, to avoid absurd prices due to critical incidents where only very few shippers have flexibility.

### Energinet’s response on comments towards pricecaps:

Energinet agrees that we should be careful when trading in the yellow zone. Since the introduction October 2014, Energinet has made a number of changes to the internal trading procedures, to secure that trades made in the yellow zone are made as close to market prices as possible, taking into account the physical need for gas. Energinet will investigate if additional changes to the procedure are required to reduce the possibility of unintentionally high/low yellow zone prices, to secure a trustworthy pricing of imbalances.

In regard to a possible fallback solution on balancing prices, Energinet will consider if explicit text could be added to the Rules for Gas Transport in this regard. Such a clause, if implemented, could entitle Energinet, on a sole discretion basis, to disregard certain balancing prices ex post, if certain criteria are met.

### Comments made towards new method for calculating adjustment step 2 price

- One market participant agrees on introducing a dynamic method for calculating the step 2 price, so the percentage reflects the alternative cost of bringing gas to the market
- The same market participant highlights the importance for the market of knowing the actual price for a given gas year in due time

<sup>1</sup> Tyra Shutdown 2019-2022 – Market Consultation

- Another market participant suggests that it should not only be the cost of sourcing gas from Ellund which should be included in the calculation, as balancing gas can also be withdrawn from storage, where the cost of withdrawal in some months is higher than the transportation costs at Ellund.

#### Energinet's response on comments towards new calculation of adjustment step 2 price:

Energinet agrees that prices should be known well in advance before the start of the gas year. Energinet will include the price in the price sheet which is released before the annual auctions on PRISMA, typically in the beginning of June.

Energinet agrees that gas from storage should be taken into consideration, when calculating the transportation cost of bringing gas to the market. Storage withdrawal cost is now included into the formula.

#### **Comments made towards imbalance prices in Emergency**

- One market participant believes that the price should be based on actual spot prices, and not on a price which could have been set much earlier, using the WD marginal price (balancing price), instead of the Day-Ahead Index price that should be used
- Another market participant has the same position, with some more detail on which prices should be used to calculate the formula
- The same market participant also comments that the suggested formula will differentiate pure traders from shippers with an end-zone portfolio
- The same market participant believes that the cost of being short should be equally added towards a shipper being long
- A third market participant finds that instead of changing the formula, Energinet (or Gas Storage Denmark) should consider changing the rules of withdrawal restrictions, from a global restriction, to a restriction per shipper.

#### Energinet's response to comments towards imbalance prices in Emergency

Based on the User Group on imbalance prices in Emergency and the consultation responses, a number of shippers find that the imbalance price in Emergency (or the price for emergency gas) should be solely based on short-term spot prices (day-ahead and/or within-day prices). Their main argument is that imbalance prices should be based on the most recent price in a given situation, and not on potentially "historical prices", where a peak weeks or months before can end up as the relevant price for the current situation.

In short, Energinet's position is different. We do not consider gas prices set during the same storage year as historical, but part of the same season, as shippers' commercial choices early in a season can/will influence on prices later. The most recent Early Warning gave a good example of this; market players withdrew large amounts of gas from storage in January, which later led to the Early Warning with high gas prices in end-February and March. With the new formula for emergency gas, it is possible that shippers had seen a greater risk ahead, and therefore would have chosen not to withdraw as heavily in January, and the Early Warning possibly would not have occurred.

For Energinet this shows a good example of why the new formula must include a seasonal factor. In our view the seasonal factor is the most important element of the new formula, as it gives a stronger focus on thinking ahead, both when planning bookings of capacity and storage, but also during the storage season, where decisions early in a season does affect prices later.

Based on this reasoning, Energinet forwards the same method suggestion as was part of the market consultation.

Regarding the comment on that prices for being long (selling balancing gas to Energinet) should be the same as being short (buying price for being short, for receiving Emergency gas), Energinet do not agree. Setting the sell price for emergency gas at the same level as the buy price could make it very attractive to be long towards Energinet, instead of selling gas on the market, towards shippers being short. Thus, Energinet believe that setting a high price for being long could “drain” gas from the market, which otherwise could help to maintain the market in Emergency.

Regarding the comment on withdrawal restrictions, this has been forwarded anonymously to Gas Storage Denmark. Energinet do not see this as a solution that could replace the new formula for imbalance prices in Emergency, as we expect that forward prices will continue to be the strongest signal for market behavior and storage injection and withdrawal strategy.