
Balancing incentive markups collected by the market area manager: Report on the within-day balancing measures taken to uphold system integrity

1 Preamble

The market area manager is entitled to collect balancing incentive markups as part of managing balancing energy, if the respective requirements are met. Such markups – or avoiding them – are an incentive for balance responsible parties to make balanced entry and exit nominations consistently for each balance group. The market area manager can also use those balancing incentive markups to cover the procurement of balancing energy and the related costs incurred by any within-day balancing required.

The following report has been prepared in line with the objective of achieving the utmost transparency in matters relating to balancing incentive markups and any balancing measures.

2 Legal basis

Concerning balancing incentive markups the following legal regulations apply:

2.1 Section 26 (6) GMMO-VO

The market area manager shall collect a balancing incentive markup from the balance responsible parties to cover for within-day balancing of the hourly imbalances in each balance group. The market area manager's, clearing and settlement agent's and transmission system operators' special balance groups shall be exempt from payment of the balancing incentive markup. The amount of this markup shall reflect the cost involved in within-day balancing pursuant to para. 7. The market area manager shall recalculate this markup at least annually, based on the gas needed for offsetting hourly imbalances during the previous twelve months and the costs connected to its purchase. Such calculation shall be based on the General Terms and Conditions of the Market Area Manager; it shall take into account the market area's position. The resulting balancing incentive markup shall be notified to the regulatory authority and published on the online platform. The market area manager shall send the regulatory authority an annual report on the within-day balancing measures that were taken to uphold system integrity. The balancing incentive markup shall be charged monthly, within five working days after the end of the month in question.

2.2 GTC MAM-BGR as amended, section 9

9.1. *If the hourly quantity on a gas day of a short position (i.e. exits higher than entries) of a given balance group are not exceeding 300,000 kWh and the hourly market area imbalance (for the market area East) is less than 0 kWh in this hour, a balancing incentive mark-up for this hourly quantity to the amount of 0.1 cent/kWh will be charged per balance group. If the hourly quantity of a short position of a balance group are exceeding 300,000 kWh and the hourly market area imbalance (for the market area East) is less than 0 kWh in this hour, a balancing incentive mark-up for this hourly quantity to the amount of 1.0 cent/kWh will be charged per balance group.*

The relevant balancing incentive mark-up (regarding to quantity and amount of the short position) will be invoiced for the individual balance group based on the hourly deviations. Long positions (i.e. entries higher than exits) are exempted from the balancing incentive mark-up. If a long position is compensated and thereby induces a short position, the amount of the compensation is excluded from charging the balancing incentive mark-ups.

If the total of the balancing incentive mark-ups per month per balance group is not exceeding 50 euro, the amount will not be charged and will not be carried forward to following months.

9.2 *Any annual recalculation of the balancing incentive mark-up will be notified by the market area manager to the regulatory authority and published.*

9.3. *The quantitative balancing incentive mark-up shall be calculated on the basis of hourly deviations, in accordance with subsection 6.7 above. Concerning the amount of the balancing incentive mark-up, subsection 9.1 shall apply.*

9.4. *If the balance group representative's carry forward account cannot be balanced in time owing to the suspension of services and/or blocking, the market area manager shall be entitled to invoice the balance group representative for any resultant expenses due to the compensation done by the market area manager on the second Tuesday of the following month. If this day is not an Austrian working day, the compensation is executed on the next working day. If the costs are not paid despite a reminder, the market area manager shall be entitled to cover them by way of the balancing incentive mark-up.*

3 Balancing incentive markups in 2015

3.1 1 January to 31 October 2015

The rate schedule shown below was applied until 31 October 2015 for charging balancing incentive markups to balance responsible parties:

Cumulative hourly deviations in kWh on a given gas day	Amount of balancing incentive markup in eurocents
Volumes between 0 and 700,000 kWh	0.1 cent/kWh
Volumes > 700,000 kWh	0.4 cent/kWh



During the period of 1 January to 31 October 2015 the market area manager charged balance responsible parties the volumes and amounts (in euros and excl. VAT) listed below by month and rate level:

Month	Balancing incentive markup at a rate of 0.1 cent/kWh		Balancing incentive markup at a rate of 0.4 cent/kWh		Balancing incentive markup total	
	kWh	€	kWh	€	kWh	€
January	24,991,362	24,992.55	21,811,068	87,244.28	46,802,430	112,236.83
February	28,542,540	28,542.61	54,993,787	219,975.14	83,536,327	248,517.75
March	16,423,768	16,423.82	53,479,833	213,919.33	69,903,601	230,343.15
April	7,978,968	7,978.93	3,580,203	14,320.81	11,559,171	22,299.74
May	8,285,524	8,285.56	6,429,328	25,717.31	14,714,852	34,002.87
June	4,871,489	4,871.57	116,134	464.54	4,987,623	5,336.11
July	7,789,677	7,789.78	5,732,100	22,928.40	13,521,777	30,718.18
August	15,201,214	15,201.24	41,122,932	164,491.73	56,324,146	179,692.97
September	10,640,402	10,640.48	14,401,297	57,605.19	25,041,699	68,245.67
October	12,742,769	12,742.82	2,955,352	11,821.41	16,472,121	24,564.23
Total	137,467,713	137,469.36	204,622,034	818,488.14	342,863,747	955,957.50

3.2 Since 1 November 2015

Based on the results of the 2014 report on balancing incentive markups, which showed a total of € 1,525,842.51 in the 'balancing incentive markup pot', and the lessons learned due to the restrictions of natural gas supplies in the winter 2014/15, the schedule of rates charged was modified effective as of 1 November 2015 as given in the following:

Hourly deviations of a short position in kWh	Amount of balancing incentive markup in eurocents
Volumes between 0 and 300,000 kWh	0.1 cent/kWh
Volumes > 300,000 kWh	1.0 cent/kWh

Detailed information about the modification of the balancing incentive markups can be read in the background and analysis document. It is published in the download area on the MAM online-platform.

During the specified period the market area manager charged balance responsible parties the volumes and amounts (in euros and excl. VAT) listed below by month and rate level:

Month	Balancing incentive markup at a rate of 0.1 cent/kWh		Balancing incentive markup at a rate of 1.0 cent/kWh		Balancing incentive markup total	
	kWh	€	kWh	€	kWh	€
November	3,321,864	3,321.88	4,089,194	40,891.94	7,411,058	44,213.82
December	5,182,846	5,182.86	8,724,965	87,249.65	13,907,811	92,432.51
Total	8,504,710	8,504.74	12,814,159	128,141.59	21,318,869	136,646.33

3.3 Conclusions

The following conclusions can be obtained:

- As described in the 2014 report on balancing incentive markups, restrictions of gas supplies by the Russian Federation to the EU were seen as of September 2014. Occasionally it was noticeable, that the incentive to nominate in a balanced manner was not sufficient enough and within-day imbalances were accepted (cf. Amendments of the balancing incentive markup as of 1 November 2015 – background and analysis, available online on the MAM online-platform under 'Downloads'). The first quarter 2015 was partially still characterised by the restrictions of gas supplies by the Russian Federation and manifested itself in some high BG imbalances and the thereby induced high balancing incentive markups.
- As of April 2015, the situation normalised and the amounts of hourly imbalances returned to the level prior to the winter 2014/15.
- The findings and observations in the winter 2014/15 have given way to thoughts about a new calculation method of the balancing incentive markup. The new method was compiled in coordination with E-Control, consulted in public and entered into force on 1 November 2015. Therefore, the experiences are limited to the months November and December 2015, but showing no conspicuous imbalances. Prior to the consultation, an information session took place at the end of June 2015 in order to help balance responsible parties adapting to the new method. Few inquiries by balance responsible parties since the entry into force of the new schedule of rates indicate that it is understandable for them.
- In order to enhance transparency, the charged daily balancing incentive markups in kWh and the total balancing incentive markups in the 'balancing incentive markup pot' are published on the MAM online-platform as of January 2016.

4 Within-day balancing measures

In 2015 the market area manager purchased no volumes for the purpose of within-day balancing at the exchange and thus no funds were drawn from the 'balancing incentive markup pot'.

5 'Balancing incentive markup pot' of the MAM

As per the end of December 2015 balancing incentive markups in the following total amounts were collected:

Total 'balancing incentive markup pot' as per 31 December 2014	€ 1,525,842.51
Total balancing incentive markups (January 2015 to December 2015)	€ 1,092,603.83
Balancing incentive markup pot	€ 2,618,446.34

6 Recommendation

Since the new schedule of rates has been introduced recently, which represents from a current perspective a proper incentive for balanced entry and exit nominations, the methodology subject to constant monitoring should be maintained. The method provides a strong incentive to avoid high BG short positions, which would cause damage to the system and threaten network stability.

7 Next steps

The balancing incentive markup is to be recalculated “*annually*”. The last change was introduced effective as of November 2015. Any adjustment of the balancing incentive markup should be made following an additional detailed evaluation of the balancing incentive markups incurred and of the balancing measures, and introduced **no sooner than September 2016**.