

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) Gas Market Model Ordinance

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 2016

3.1 1 January to 31 December 2016

There has been no modification of the calculation method for balancing incentive markups since its adaption in November 2015. Therefore, the following rate schedule was applied also in 2016 for charging balancing incentive markups to balance responsible parties:

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



During the period of 1 January to 31 December 2016 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	€
January	13,658,213	13,658.23	8,846,769	88,467.69	22,504,982	102,125.92
February	1,260,817	1,260.83	1,090,740	10,907.40	2,351,557	12,168.23
March	843,344	843.36	0	0.00	843,344	843.36
April	2,020,790	2,020.82	2,682,643	26,826.43	4,703,433	28,847.25
May	2,528,570	2,528.57	0	0.00	2,528,570	2,528.57
June	5,038,989	5,038.99	0	0.00	5,038,989	5,038.99
July	1,983,480	1,983.49	0	0.00	1,983,480	1,983.49
August	5,179,150	5,179.15	0	0.00	5,179,150	5,179.15
September	13,677,429	13,677.42	680,049	6,800.49	14,357,478	20,477.91
October	15,735,667	15,735.67	2,617,537	26,175.37	18,353,204	41,911.04
November	23,507,666	23,507.67	4,294,362	42,943.62	27,802,028	66,451.29
December	35,466,171	35,466.20	6,385,426	63,854.26	41,851,597	99,320.46
Total	120,900,286	120,900.40	26,597,526	265,975.26	147,497,812	386,875.66

Furthermore, the current valid method provides that monthly amounts not exceeding 50 euro per balance group will not be charged. Due to this provision **101 invoices have not been sent** for the above mentioned period.

3.2 Conclusions

The following conclusions can be obtained:

- There were no conspicuous imbalances from January until December 2016, indicating that the incentives are well set and work especially well for high hourly imbalances with an incentive of 1.0 cent/kWh. The fact that there were no balancing incentive markups at the rate level >300,000 kWh in five out of twelve months confirms this “deterrent effect” for high imbalances. Therefore, the incentive for high imbalances should be maintained to avoid a great burden for the network and ensure that the markups are carried by those who cause higher usage of the system respectively.
- The provision that small monthly amounts (less than 50 euro) are not charged to balance responsible parties has proven worthwhile. An analysis of quantities and/or amounts not charged showed that this provision is not being exploited because mostly very small amounts were not charged (below 10 euro). This provision should also be maintained.
- Due to the end of the second regulatory period (31 December 2016) regarding tariff making, the costs from the years 2013 until 2015 have been reviewed. As a part of this process it has been determined that balancing incentive markups accrued during this period and not used for within-day balancing measures will be returned to the market. The ‘balancing incentive markup pot’ amounted to € 2,618,446.34 by the end of December 2015. This amount will be considered during the determination of the new tariffs for the third regulatory period (2017-2020) in such a way that it will lead to a tariff reduction for the benefit of the network users. The cost review for 2016 will be elaborated separately within an upcoming future tariff determination.

4 Within-day balancing measures

In 2016 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’.

However, carry forward accounts of balance responsible parties could not be balanced in time due to the suspension of services and/or blocking and thus the market area manager balanced the respective positions (according to article 9.4 GTC MAM-BGR). In total, 108,000 kWh/h were sold on the exchange and the ‘balancing incentive markup pot’ was credited with a total amount of € 1,926.63.

5 'Balancing incentive markup pot' of the MAM

As per the end of December 2016 balancing incentive markups in the following total amounts were collected:

Total 'balancing incentive markup pot' as per 31 December 2015	2,618,446.34 €
Total balancing incentive markups (January 2016 to December 2016)	386,875,66 €
Sale out of balancing BGR carry forward accounts	1,926.63 €
Balancing incentive markup pot	3,007,248.63 €

6 Recommendation

Due to the well working incentive system to avoid BG short positions, the current methodology should be maintained based on further constant monitoring. It provides especially a strong incentive to avoid high BG short positions, which would cause damage to the system and threaten network stability. Moreover, it guarantees that the markups are carried by those who cause higher usage of the system.

7 Next steps

The balancing incentive markup is to be recalculated annually. The last change was introduced effective as of November 2015. The months November and December 2015 have been analyzed in the last report.

Based on the documented evaluation of balancing incentive markups from January until December 2016 in this report and the conclusion/recommendation obtained, we suggest refraining from this year's recalculation. Additionally, the obtained balancing incentive markups with regard to 2013 – 2015 will be returned to the market. Consequently, the amount available to the market area manager will decline substantially and any necessary within-day measures (as last available measure) would have to be made from the reduced pot. 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 June 2017**.