

(refined) Draft Network Code on Balancing – stakeholder support process

SSP Response Sheet

Please complete the fields below and send via email using the subject title, “Response to the BAL NC SSP” to info@entsog.eu by 28 September 2012.

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How would you describe your organisation?

<input checked="" type="checkbox"/>	Association	Association of European Energy Exchanges
<input type="checkbox"/>	End user	
<input type="checkbox"/>	Network user	
<input type="checkbox"/>	Trader	
<input type="checkbox"/>	Other	(please specify)

Question 1: Do you consider that the network code development process carried out by ENTSOG was appropriate, given the boundaries of the framework guideline? In particular, was the level of stakeholder engagement appropriate? If there is room for improvement, please inform us about possible suggestions for improvement.

Yes	No
Comments: Europex wants to thank ENTSOG for the extensive work achieved and appreciated the level of engagement offered to the different stakeholders.	

Question 2: Please complete the table below, indicating whether you support the relevant sections of the Draft Network Code on Balancing, having regard to the process carried out and ENTSOG's aim to reflect the views of the majority of users during the development process.

Chapter	I: General Provisions	II: Balancing System	III: Cross-border Cooperation	IV: Operational Balancing
Support	X	X(see comments)	X	X (see comments)
Do not support				

Chapter	V: Nominations	VI: Daily Imbalance Charge	VII: Within-day Obligations	VIII: Neutrality Arrangements
Support	X	X (see comments)	X (see comments)	X
Do not support				

Chapter	IX: Linepack Flexibility Service	X: Information Provision	XI: Implementation, Interim Steps
Support	X (see comments)	X	X (see comments)
Do not support			

Please provide brief reasoning for your responses, if you wish.

II Balancing system

Article 8. Paragraph 4 d) & Article 18. Paragraph 1 : The NC should not be so prescriptive about the units to be used as it might result in costly and useless changes in IT systems that do not bring added value to the market. Europex suggest that multiples of kWh/d or kWh/h could be accepted also. Europex therefore suggests the following change: “d) the Notification Quantity expressed in kWh/d or any multiple thereof for daily Notification Quantity or in kWh/h or any multiple thereof for hourly Notification Quantity, as required by the TSO concerned.”

IV Operational Balancing

Article 13. Paragraph 1 b) & d) : As already mentioned in Europex’s response to the previous consultation, the term “specific” should be put between brackets. The draft Network Code seems indeed to consider that the use of Locational Market Products will always be triggered by an issue on a specific location of the network. In Europex’s view situations may occur where the TSO needs to secure gas flows into or out of the system for pressure management reasons without the issue being related to any location in particular. This type of situation can be coped with by using Locational Products without constraining the Entry or Exit Points on which the (re)nomination should be performed..

Article 13. Paragraph 2 : Europex considers that TSOs should always first try to develop liquidity in their own market before trading in an adjacent market; this being independent from any market prices. Authorisation for trading on an adjacent market should only be granted as an alternative to trading (Temporal) Locational Product (e.g. because of locational needs or because of gas quality issues) or when the two markets are linked in a way that orders become available in the TSO’s local market. Europex agrees that in any case, trading in an adjacent market should be subject to NRA’s approval. Please find hereafter (part of) the response of Europex to the previous consultation, which remains valid:

“The FGs on Balancing foresee that TSOs should keep the system balanced by trading Short

Term Standardised Products. At the same time, the Network Code on Capacity Allocation Mechanisms allows that cross-border capacity is allocated, in the short term, through implicit mechanism. The Target Model even foresees the adoption of implicit mechanisms for cross-border short-term capacity allocation. Therefore, when the Target Model will be implemented according to the above-mentioned principles, TSOs, by procuring balancing products in their local wholesale markets, will automatically access and trade in those adjacent markets if the markets are linked through implicit capacity allocation mechanisms.

Pending the implementation of the Target Model, TSOs could be allowed to trade in adjacent markets, under specific circumstances. In particular, TSOs should always first try to develop liquidity in their own market by intervening on the title products of their market. This is coherent with the merit order described in the network code.

In case TSOs cannot solve their balancing needs through standard title products to be delivered within their own balancing zone, the solution of trading title products in adjacent markets could be investigated. Europex identifies two possible cases when the use of adjacent market could be allowed:

- When TSOs consider the use of locational products at the IP. Instead of creating a locational market at this particular point that would never be liquid, TSOs could benefit from the existing liquidity of the title adjacent market. This would be cheaper for the TSO and would not be contrary to the role the TSO has in developing liquidity in its own market.
- In the particular case of gas quality issues, when there exists no organized market on a specific gas quality in the proper market of the concerned TSO.”

Article 14. Paragraphs 5 & 7: The NC should not create new legal obligations on the Trading Platform Operators (TPOs). The relationship between the TPO and its members and the associated liabilities are ruled by market rules. The decision of a TSO to trade on a specific Trading Platform should not trigger new obligations for the TPO. Should the TSO need specific products or services to be offered on a Trading Platform, it should agree on their provision through a cooperation agreement with the TPO.

As a consequence, paragraph 5 should be deleted and paragraph 7 should foresee that it is the TSO’s responsibility to publish the Marginal Prices (which can be done on TSO’s behalf by a TPO subject to bilateral agreement).

Article 14. Paragraph 8: For the reasons exposed in the previous comment, Europex consider that the NC should not create legal obligations on the TPO and should not interfere with its market rules. In addition, it should be noticed that TPOs will never deliberately take the risk being imbalanced so this paragraph is not needed. Finally, it raises at least two other issues for Europex:

- It does not take into account the case where futures products for which physical delivery is not mandatory or even possible would be listed on the Trading Platform on top of balancing products (in which case the Market Participant does not necessarily need being a shipper);
- It does not allow the case where a Market Participant is trading on the platform but designates another Network User as responsible party for balancing purposes.

Europex therefore suggests deleting the paragraph 8.

Article 15. Paragraph 1:

- As already stated before, it is not because a TSO decides to start trading on a specific TP that the TPO should face new obligations. Should the TSO need specific products or services it should agree on their provision through a cooperation agreement with the TPO. In

general, if the products defined do not meet the TSO requirements to undertake appropriate balancing actions, then the TPO does not meet the article 14 (2). Europex suggests to delete “and the relevant TSO” at the end of paragraph 1. As commercial or regulated entities, TPOs always take into account their members needs to define the products traded in the platform: this would obviously be the case for TSOs’ needs.

- Europex understands the need for the TSO and Network Users to use short term standardised products on a “seven days a week” basis. Yet, 7/7 trading might not be needed by the TSO and by the Network Users from the entry into force of the NC in every systems. Europex suggests therefore to allow for some flexibility by adding in the article 49 on interim regimes that in case 7/7 trading is not deemed necessary for the Network Users and the TSO to balance their position, a more limited availability of the Trading Platform on which the TSO elects to trade might be allowed, subject to regulatory approval.

Article 15. Paragraph 8: As already stated before, it is not because a TSO decides to start trading on a specific TP that the TPO should face new obligations. Should the TSO need specific products or services it should agree on their provision through a cooperation agreement with the TPO. Products should be defined by the TPO: if the products traded are not convenient for the TSO, then the TPO does not satisfy the criteria of the article 14 (2) and the TSO will have to look at alternative solutions, including as a last resort the establishment of a Balancing Platform. It should be noted however that it is in the interest of TPOs to list on its platform products that favours arbitrages with neighbouring markets as it increases liquidity.

Article 16. Paragraph 2 b): As already mentioned, the need for short response time could be taken into account but only to the extent long response times are not resulting from constraints imposed by the TSO on (re)-nomination lead times.

Article 16. Paragraph 2 c): This is not coherent with the merit order. In new markets where liquidity is very low, TSO’s actions on the market might significantly contribute to develop the liquidity. This could be more costly first but could be beneficial to the market in the long run. In those cases, a cost benefit analysis could be carried out spanning over several years to check whether the costs are decreasing over time.

VI Daily imbalance charge

Article 29. Paragraph 4: The value of the Small Adjustment should not differ for determining SMBP and SMSP as this would create a distortion in the market, the seller and buyer not being equally exposed to an unbalance risk and having therefore a different negotiation power, resulting in a transaction price biased compared to market value.

VII Within-Day Obligation

Article 32 1 b): Europex raises concerns about this category of within-day obligation as it would result in allocating individual within-day imbalance tolerances rather than offering all the available flexibility collectively to the Network Users. This in Europex’s view is not aligned with the Framework Guidelines objectives.

IX Linepack flexibility services

Article 44. Paragraph 7: As mentioned in the response to the previous public consultation Europex considers that Linepack Flexibility Services, if offered, should be used as any other storage service. If the Linepack Flexibility Services do not require a nomination by the flexibility owner, it might result in a case where the Network Users could just pay for not being subject to daily balancing and is not obliged to even follow its individual balancing position by the end of the day. This in Europex’s view

is hardly compatible with the Framework Guidelines.

XI: Implementation, Interim Steps

Article 49. Paragraph (i) 1: This liquidity criterion is new and may conflict with the requirements on article 14, which should prevail. Europex suggests therefore the following wording: “Without prejudice to Article 14(3), where the Short Term Standardised Products required by the TSO cannot reasonably be procured on a Trading Platform, a Balancing Platform shall be established for the purpose of TSO Balancing.”

Question 3: Do you believe that the eventual implementation of the refined draft Network Code will enhance the functioning of the internal gas market?

Yes

No

Comments: Europex supports the Network Code in general, taking into account the comments expressed here above.