

(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.

Name

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Organisation

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City: *Lisbon/ Bilbao*

Country: *Portugal/ Spain*

Countries in which your organisation operates: *Portugal/ Spain*

How would you describe your organisation?

<input type="checkbox"/>	Association	(please specify type)
<input type="checkbox"/>	End user	
<input checked="" 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
<p>Comments: In our point of view the network code development process carried out by ENTSOG has been quite appropriate in developing this first EU network code and we expect this to be maintained in future.</p> <p>We welcome the opportunity given to the stakeholders in order to choose their degree of participation. We believe that this target structure should be applied in future NC developments, in favour of a wider participation and different levels of involvement.</p>	

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	X	X

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

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

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

Cross-border Cooperation:

Taking into account the importance of balancing rules in the way to get a single European gas market, we think that it is adequate to review the progress of harmonisation of balancing rules periodically and during the first steps biannual reviews could be adequate. Furthermore, NRAs, ACER and shippers involvement in this review process would be necessary too.

Together with above mentioned, it would be also important to support new initiatives to get a higher harmonisation level and new opportunities to merge bigger balancing zones (market areas or trading region).

As CEER's Gas target Model mentioned, some systems/countries would not fulfil minimum requirements to have a well-functioning wholesale market, based on new European regulation. Thus, it is essential to support the creation of cross border balancing zones as a previous step.

Operational Balancing:

We believe that TSOs balancing actions would be limited to the short term and long term actions would be very limited, exceptional and used as last resort tool. Long term price references could distort this imbalance charge calculation.

Although, the TSO may seek approval from its national regulatory authority to trade in an adjacent market, such approval should be granted in very exceptional circumstances and should be considered as last resort tool. It is very important to analyse the impacts of that action on its own system (less liquidity, TSO acquiring capacity, not representative price, possible distortions, ...) and also reasons that justify that trade in adjacent markets (bad functioning wholesale market,

dimension of system, competence and concentration level...).

In this view, shipper's involvement should be ensured during the process.

All that, in order to achieve a representative price for imbalance charges.

Nominations/re-nomination:

In our opinion, the reference to "*the relevant Default Nomination Rule*" must be clarified.

e.g., "The Default Nomination Rule is considered to be the rule applicable in each Member State in accordance with the national rules."

Regarding nominations and re-nomination, it is very important to guarantee coherence between capacity allocation and nomination schedule and the timing for initial day-ahead nomination should take into account the electricity market schedule.

Daily Imbalance Charge

In general "Daily Imbalance Quantity determination" design would consider TSOs information provision taking into account its frequency and accuracy, because it is very important to keep a balance between shippers balancing obligations and available tools for shippers. In this way, if information provision is not sufficient, tolerance levels (without cash-out) and other measures (Daily Imbalance Charge settled at a weighted average price) should be applied.

The above mentioned it is particularly important for daily metered (but no intradaily) and NDM customers. Regarding NDM off-takes, taking into account their characteristics, in our point of view if off takes are equal to day ahead forecast provided by TSOs the daily imbalance quantity should be equal to zero. And if intraday modifications of forecast are provided, regulation should give tools associated to capacity allocation and re-nomination schedule to shippers in order to make needed adjustments in their balance.

The differences between natural gas and other products or goods (as electricity) should be considered in the definition and development of gas balancing rules, and especially the storage possibility. In this way, tolerance level should be considered, not only as an interim step. If this is not considered, system and shippers operation will be "artificially" limited and restricted, losing one of the most important flexibility of gas natural systems. In our opinion, it is important to keep this flexibility in order to get an adequate balance between security of supply/operation and market based rules and references.

Taking into account the nature of locational/temporal market products, associated to a specific point of the same entry-exit system or a particular moment of the balancing period, we agree with the wording used in the FGs, where locational and temporal transactions should be excluded from the marginal price setting process. In general, these products "trade" will have a limited liquidity level. So these product's price should not feed into the derivation of the weighted Average Price.

Within-day obligations

In general, the WDO implementation decision process would consider TSOs information provision taking into account its frequency and accuracy, because it is very important to keep a balance between shippers balancing obligations and available tools (re-nomination rights, capacity

allocation and products,...) for shippers. Thus, the implementation of WDO would be subject to the availability of information with the needed accuracy and frequency.

Together with above mentioned, taking into account the impact that WDO could have in cross border flows and in adjacent entry exist systems, a minimum coherence between systems in the implementation of WDO and coordination between TSOs and NRAs of adjacent systems would be reinforced.

Neutrality Arrangements

In the NC is stated that *“TSO shall pass to Network Users any costs or revenues arising from the Balancing Activities undertaken by TSOs”*.

In our point of view there is an initial step that conditions the above mentioned points: the final quantity of cost/revenue. In this way the quantity recognized would be that derivates of an adequate (efficient) management of TSO, not any quantity. It is also important to establish adequate incentives in order to get that. Furthermore, the socialized quantity among all agents should be minimized, after levying on the network users that are out of balance at the end of the gas day.

Furthermore, if costs are going to pass to network users, we think that a “neutral agent” as NRA has to supervise TSOs balancing actions. And taking into account the effect of this issue on TSOs, Shippers Balancing Neutrality Charges calculation and apportionment amongst the network users shall be developed by NRA, ensuring shippers/TSOs involvement in the process.

It is crucial to keep a balance between shippers balancing obligations and available tools for shippers. That is, information provision must be sufficient (accuracy/frequency) for all network users (e.g., shippers with NDM offtakes). If this is not the case, then it should be taken into account and TSOs would assume (not by other shippers) a part of the “deviation” or a tolerance levels should be established for example related to NDM off-takes.

Linepack Flexibility Service

Taking into account an increasing interrelation between gas and electricity systems (for example in the Iberian area) through CCGTs, which work as back up of renewable energy (intermittent/non predictable electricity generation), we believe that together with linepack flexibility services, tolerance levels (quantity not considerate in the imbalance quantity) should be established.

CEER mentions in the Gas target Model:

“we expect much greater short term fluctuations in gas demand than previously, as we see more gas-fired power stations coming online”

In the same way, and as we have said before, this tolerance should be also applied to NDM off-takes because the possible level of information is insufficient and it is impossible to take balancing actions by shippers with the aim to get balance their portfolio

Information Provision

“Information Provision Models for off-takes” decision process, it is very important to keep a balance between 1) shippers balancing obligations, 2) availability of information (frequency, accuracy and time taken to provide information) and 3) balancing managing tools (accessibility to STSP, re-nomination period, ...) for shippers. So, the model applied should take into account each system’s characteristics.

This is especially relevant for NDM off-takes because it is impossible to have actual information during the day or just after finishing it. Thus, it is impossible to take balancing actions by shippers with the aim to get balance their portfolio. We believe that the “Base Case” or “Variant 2” would fit in a better way with this type of off-takes. Regarding these models, the final objective would be to have a forecast as near as possible to the final allocation based in metered data.

In the case of DM is also quite difficult because intraday information it is not available.

Finally, NC should mention that incentives for information accuracy shall be established.

Implementation, Interim Steps

If information provision is not sufficient, tolerance levels (without cash-out) and other measures (Daily Imbalance Charge settled at a weighted average price) should be applied.

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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 X but....	No
<p>Comments:</p> <p>In order to avoid any type of distortion and to get a successful integration process, NRAs and TSOs of adjacent systems, ensuring shippers involvement, must guarantee the following:</p> <ul style="list-style-type: none"> ▪ Minimize differences between balancing regimes, ▪ Define a common work/implementation planning (timing, criteria, interim steps,...) ▪ Offer coherent flexibility tools, products, services, tolerances, information provision ▪ if within day obligations are established, they should be coherent between systems 	