

Responses to Consultation on Draft Code on Balancing

Please complete the fields below and send via email using the subject, Response to Consultation on the Draft Code on Balancing, to info@entsog.eu by 17:00CET on June 12th.

Please note that respondents are not required to respond to all questions below.

In sending your response submission by email, you are confirming that ENTSG can disregard any standard e-mail text about not disclosing email contents and attachments.

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ENTSO-G seeks to publish response once the consultation has ended. Please indicate here whether your response is confidential (in whole or part)

☐ In whole, meaning nothing to be published

☐ In part, meaning a version with your marked confidential sections excised by ENTSOG could be published

CHAPTER II. BALANCING SYSTEM

Question 1 – Do you concur that the implementation of a Virtual Trading Point via the inclusion of the Trade Notification and Allocation scheme in the Balancing Network Code will contribute to the delivery of a properly functioning market? If not, please propose an alternative and provide justification.

Response:

Yes. A virtual trading point is a vital component of any balancing regime.

Question 2 – in the context of the proposed Trade Notification and Allocation scheme, does the Draft Code provide sufficient harmonisation within? If not, what would be the preferred basis for any additional harmonisation?

Response:

We do not agree that the TSO should be allowed to provide a specific default rule if the Trade Notification quantities do not match. If this is the case, the TSO should reject the notifications from both system users.

CHAPTER III. CROSS-BORDER COOPERATION

Question 3 - Do you agree that ENTSOG should issue the review of the progress of harmonisation of balancing rules report at the latest two year after the implementation of the network code and then biannually thereafter? If not, please propose an alternative and provide justification to support your proposal (and /or counter Draft Code's approach).

Response:

We agree with the proposed timing of the review process.

Question 4 – Do you agree with the proposed review process (including the issuing of a report (in the public domain)? If not, please propose an alternative and provide justification to support your proposal (and /or to counter Draft Code's approach).

Response:

We agree with the proposed review process.

CHAPTER IV. OPERATIONAL BALANCING

Question 5 – Do you agree that TSOs should, under specific circumstances, be allowed to trade in adjacent markets? If so, please explain under what circumstances.

Response:

No. We do not agree that TSOs should be allowed to trade in adjacent markets. The introduction of the Network Code is to create liquid markets within the EU. If the TSO is able to balance using the adjacent markets this could hinder the development of their own market. The code sets out provisions for the TSO to use dedicated balancing platforms if there is not a liquid market. This should be a sufficient interim measure until the market is developed enough to enable the TSO to balance on a trading platform.

We also have concerns that TSOs would be encouraged to divert flexibility away from shippers who have paid for it through regulated tariffs, in order to sell into adjacent markets where they may make an unregulated return.

Question 6 – Do you agree that the use of the expression ‘economic and efficient’ is a suitable criterion assessing TSO Balancing Actions? If not, please provide an alternative and an associated rationale.

Response:

Yes economic and efficient is a suitable criterion.

Question 7 – Do you agree with the choices in the Draft Code: (1) to limit standardised products for trading flexible gas to short-term products; and (2) to have only a small number of short-term standardised products? If not, please explain why.

Response:

Yes. We agree with the use of a small set of short term products as this should help develop a market where shippers can trade imbalances. We would like to see the Temporal product used as an initial step which could be removed as the market developed.

Question 8 – Do you agree that the Balancing Network Code should not prescribe exchange-based trading for the TSO and to leave this to the discretion of the TSO and the TPO? Should the network code provide criteria and factors to consider for the TSO to use an exchange based trading?

Response:

We agree that the Balancing Network Code should not prescribe exchange based trading for the TSO. The ability to use a separate trading platform or brokerage system if the market is not developed enough should be at the discretion of the TSO.

Question 9 – Do you agree with the current level of services to be provided by a Trading Platform specified in the Draft Code? For example, the STSPs make no reference to a block size, meaning that this will be agreed on a local basis. If not, please explain where and why additional specification is needed.

Response:

We agree with the level of service to be provided by a Trading Platform. We would like to see reference to a minimum block size in the draft code so that there is constancy across the EU. The GB market uses 100,000kWh as the minimum block size, this size would allow smaller player to participate in the market.

Question 10 – Do you agree with the current level of specification in the Draft Code on contractual structure and arrangements between the different parties? What changes (if any) would you advocate?

Response:

Yes.

Question 11 – Do you agree with the choices in the Draft Code to put the obligation to (re)nominate on the Originating Party? If not, what would your preferred alternative be and what benefits would this alternative have over the mechanism proposed in the Draft Code?

Response:

We agree that the obligation should remain with the Trading Participants to make the associated trade notification.

Question 12 – Do you concur with the sequence of the tools in the merit order and the level of guidance it gives the TSO in choosing the most appropriate tool? If not, which changes, if any, would you advocate and why?

Response:

It should be made clear in the Network Code that the use of Locational Market Products is used as a last resort. We agree with the statement in the supporting document that the use of this product reduces liquidity by keeping gas away from the market. As such we would like to see the wording of Article 13 stipulate this in a more rigid way.

Question 13 – What is your view on: (1) the criteria to be considered by the TSO when procuring Balancing Services; and (2) the gradual reduction of the use of Balancing Services as the liquidity of the wholesale market increases? Please provide a reasoned response.

Response:

The criteria set out in the draft code are appropriate. We agree that the procurement of balancing services should be done in a transparent manner and that the TSO should review the use of Balancing Services on an annual basis. These Balancing Services should only be used where the market is not sufficiently liquid to enable the TSO to use the on-the-day market.

The new entry-exit system due to be implemented by Fluxys in the Belgium market has a balancing service where by the TSO will tender for the service before the start of the new balancing regime and only use this service if they cannot meet their balancing requirements in the market. This way of providing a balancing service would seem to be a better option than having a dedicated platform. At least the TSO has used the market first and only falls back on the service if their bid or offer is not met.

Question 14 – Do you agree with the proposal that the TSO shall be enabled to submit an incentive mechanism to the NRA for approval? If not, please explain why.

Response:

We see no problem with this approach as long as there are sufficient processes in place to allow stakeholder to comment on the proposed incentives. The final decision on incentives should be made by the NRA after a sufficient consultation period.

Question 15 – Do you consider that the procedures set out in the Draft Code (excluding timing, which is covered below) for the submission of nominations and re-nominations, and the criteria for their rejection, are reasonable? If no, please present and justify your preferred alternative.

Response:

With regards to Article 22 the TSO should be required to harmonise nominations and re-nominations at Interconnection Points. If these nominations are not harmonised it is difficult to see how capacity can be bundled if the shipper is then required to enter separate nominations for either side of the IP.

In Article 23 the draft Network Code states that the TSO may partially reject a nomination. In our opinion a nomination should only be accepted or rejected, no partial rejection should be allowed. The TSO should not be able to reject a nomination because of a physical constraint, as stated in Article 23, unless they have already notified the shippers of an emergency or Force Majeure is in place.

CHAPTER V. NOMINATIONS

Question 16 – Do you agree with the schedule for initial day-ahead nominations set out in the Draft Code? If not, please give a reasoned alternative schedule.

Response:

We agree with the schedule for initial nominations.

Question 17 – Do you agree with the schedule for re-nominations set out in the Draft Code? If not, please give a reasoned alternative schedule.

Response:

We agree with the schedule for re-nominations.

Question 18 – What are your initial views on these specific features on nominations (respectively re-nominations) for transition, system integrity and daily-hourly regimes of the network code? Please provide a reasoned response.

Response:

In our view the TSO should consult yearly with system users on whether the interim arrangements are sufficient. The NRA should decide if it is appropriate to continue with the interim arrangements.

CHAPTER VI. DAILY IMBALANCE CHARGES

Question 19 - Do you support the Daily Imbalance Quantity determination proposed in the Draft Code? If not, please indicate your preferred approach and supply further rationale and evidence of the benefits of Daily Imbalance Quantities being derived on information based during the Gas Day?

Response:

We support the Daily Imbalance Quantity determination proposed in the draft Network Code. However it should be made clear in the Network Code that where a reconciliation takes place of a shippers position this will be done using the current market price.

Question 20 – Do you have alternative views as to whether Locational and/or Temporal Market Products should feed into the derivation of the Weighted Average Price? If so what is your rationale for a different approach and what do you see as the benefits?

Response:

Table 2 in the Supporting Document should be used to determine what trades feed into the Daily Imbalance Charge.

Question 21 – Do you agree that day-ahead trades should feed into the determination of the Weighted Average Price, Marginal Buy Price and Marginal Sell Price? If so, then under what circumstances should they be used? Is there merit in allowing local discretion as to whether day-ahead trades influence the setting of the prices?

Response:

No. Only within-day trades should be taken into account for the determination of the Weighted Average Price.

Question 22 – Do you agree that the source of trades should be left to local discretion? What criteria should apply? Should there be an aspiration that the source of trades should be a single platform and if so why and how should the platform be determined? Please provide a rationale for your preferences.

Response:

Only trades from Exchanges, Trading Platforms and Balancing Platforms should be used.

Question 23 – What should the effect of the small adjustment be: to encourage trading or to be sufficiently large to reflect a value for physical flexibility?

Response:

The small adjustment should be to encourage shippers to balance their portfolios through trading on the market.

Question 24 – Do you agree with the addition of cross border trade as a criterion to the derivation of the Small Adjustment? Are the criteria sufficient? If not, what else should be added? Please justify any proposals.

Response:

Yes we agree with the addition of cross border trade as a criterion to the derivation of the Small Adjustment.

CHAPTER VII. WITHIN-DAY OBLIGATIONS

Question 25 – In your view, are the elaborations of the criteria in the Draft Code sufficient? If not, please indicate which ones and how.

Response:

The elaborations in the Draft Network Code are sufficient in so far as they mirror the conditions for Within Day Obligations (WDO) as set out in the Framework Guideline. However they do not go further than that. For example there is no specific criteria set out specifying what the minimum information provision should be, only that sufficient information should be provided. In our opinion this section should at least specify as a minimum near real-time data should be made available

before an NRA approves a proposed WDO. Also re-nomination lead times should be made clear within the Network Code.

Question 26 – Do you believe that additional criteria for assessing WDOs are warranted? If yes, please specify which and why.

Response:

No. However as stated in response to question 25 we would like to see clearer criteria set out in the Network Code.

Question 27 – Do you find the respective roles of a TSO and relevant NRA(s) appropriate in the approval of any WDOs? If not, please explain why and how you would re-define the roles.

Response:

The NRA should have to publish a decision within six months on whether to approve the WDO application. It should not be the case that no response after six months is deemed to be approval.

Question 28 – Do you agree that a six-month period is appropriate for a TSO to make a proposal for approval of an existing WDO, including a recommendation document? If not, please propose an alternative and provide justification.

Response:

Yes.

Question 29 – Do you agree that a six-month period is appropriate for the NRA to conduct its assessment and approval process? If not, please propose an alternative and provide justification.

Response:

Yes. Six months gives sufficient time for the NRA to consult stakeholders. However, if the NRA needs more time than six months they should request an extension from ACER .

CHAPTER VIII. NEUTRALITY ARRANGEMENTS

Question 30 – In your view, is the scope of the currently proposed neutrality section of the Draft Code appropriate? If not, please explain why.

Response:

In our view the neutrality section of the Draft Network Code does not carry enough detail to give a clear steer on how the neutrality process should be designed by the TSO. As written the Draft Network Code gives the TSO a large amount of leeway on how to implement a neutrality process.

Question 31 – Do you find appropriate the proposed scope of the transparency elements of neutrality? If not, please explain your reasons why.

Response:

In Article 37(4) the TSO is obliged to publish information regarding aggregate Balancing Neutrality Charges at the same time as the invoice is issued to shippers. In our opinion it would be more appropriate to publish this data more frequently than once a month.

Question 32 – Please indicate the level of granularity you would expect in the context of the breakdown of net Balancing Neutrality Charges cash-flows from both a temporal (e.g. daily, monthly, annual) and cost/revenue element split.

Response:

It should be as granular as possible to enable shippers to see exactly what has gone into the neutrality pot.

Question 33 – Do you agree that there would be potential benefits of attributing Balancing Neutrality Charges to different pots and of recovering them over different classes of network users? If yes, please explain why.

Response:

Yes, but only to the extent that NDM supply could be separated from IDM/DM supply. We do not agree with splitting out WDO from End of Day actions.

Question 34 – If you support multiple neutrality pots, how would these be defined? How could such different attribution processes be applied in practice?

Response:

See answer to previous question.

Question 35 – Is the level of specification in the Draft Code for cash-flow management appropriate? If not, how do you propose it be amended?

Response:

Yes.

Question 36 – An alternative to creating additional costs for invoicing systems and processes is to address neutrality sums via adjustment to transmission charges. Do you agree with such an alternative? If not, please explain why.

Response:

No. Neutrality charges should be separately invoiced. There should not be cross subseries like NDM supply subsidising IDM/DM supply.

CHAPTER IX. INFORMATION PROVISION OBLIGATIONS

Question 37 – Do you agree with the information provision models for offtakes proposed in the Draft Code fulfil the requirements of the FGs? If not, please explain.

Response:

The Draft Code appears to be in line with the Framework Guideline. However there should be no reference to Within Day Obligations. Where these apply or where a TSO wishes to start applying WDOs they must provide balancing information to System Users at a greater frequency than twice a day. Before WDO could be considered information provision must be provided at least in near real time. If the TSO cannot meet this obligation WDOs should not be placed on the System User.

Question 38 – Do you agree that prospective implementations of Variant 2 should be approved only after a consultation process? If not, please explain.

Response:

Yes the TSO must consult before implementing Variant 2. We also think that where Variant 2 is already in place there should be a consultation on its continued use when the Network Code comes into force. This would be in line with the rest of the Code where the TSO has to consult on existing WDO.

Question 39 – Do you support the additional proposal that the cost-benefit analysis (CBA) should also examine the time taken to provide information to Network Users? Are there any other features that would strengthen the CBA process and why? If so, please explain why.

Response:

Greater information provision will lead to greater balancing accuracy by the System User. We think that the TSO should consult quicker than waiting for two years to elapse. Article 44 (4) should be removed, as we have stated previously, where there are WDO there should be greater provision of information than twice a day.

Question 40 – Do you agree that the Balancing Network Code has to provide guidance on timing of information flows? If yes, do you agree with the proposals set out? If you do not agree with the Draft Code proposals what could the alternatives be and what would be the justification?

Response:

It is our view that information should be provided as often as possible.

Question 41 – Do you consider that Transparency Guidelines requirements are sufficient to deal with system information? If not what should be included and what is the justification?

Response:

If the Transparency Guidelines were fully implemented across Europe these should be sufficient to deal with system information. Before this Network Code is implemented the NRA's should make sure that the TSOs are complying fully with the Transparency Guideline.

Question 42 – Do you agree that the proposal is in line with input information requirements set out in the FGs?

Response:

Yes. However as stated in response to Q37 regarding WDO, where these apply or where a TSO wishes to start applying WDOs they must provide balancing information to System Users at a greater frequency than twice a day. If the TSO cannot meet this obligation WDOs should not be placed on the System User.

CHAPTER X. LINEPACK FLEXIBILITY SERVICE

Question 43 – Do the proposed additional criteria that a Linepack Flexibility Service has to meet complement those in the FGs to make a sufficient set of criteria? Or are additional criteria required? Please provide a reasoned response.

Response:

Yes we agree with the criteria set out in Article 47.

CHAPTER XI. IMPLEMENTATION, INTERIM MEASURES AND ENTRY INTO FORCE

Question 44 – How should the short-term balancing market be defined? What account of temporal and physical flow considerations needs to be made? What measures should be used to assess liquidity in the short-term balancing markets?

Response:

The supporting document give a good assessment of what defines a liquid short term balancing market.

Question 45 – What other measures might be contemplated to enable wider access to short term gas flexibility? Are any of these approaches appropriate for inclusion in the Balancing Network Code?

Response:

Access to storage is one way to improve short term flexibility.

Question 46 – In your view, what would justify including LNG in the Balancing Zone in “small markets” and in short term transitional arrangements? Do you see any conflict with these reasons and the BTM to be established by the eventual Balancing Network Code?

Response:

Balancing of the system should primarily be carried out by the System User. If they have access to LNG to use as a flexibility tool they should use it. However where the market has not developed sufficiently the TSO should not be prevented from contracting with LNG suppliers for balancing gas.

Question 47 – Do you agree that the tolerance used should be a price based tolerance? If not please explain your rationale and provide your preferred approach.

Response:

In our view tolerances should only be used where there is insufficient information provision to enable system users to balance their portfolio. Once information is provided in a timely manner the tolerances should be phased out. Where tolerances are used we agree that they should be priced based.

Question 48 – In your view, should the reduced exposure involve the application of an average price? If not, please explain your rationale and provide your preferred approach.

Response:

See Q 47.

Question 49 – Do you support the Draft Code including provisions for the accuracy of forecast information provision to ensure timely phase-out of tolerances? If yes, explain how this can be best established.

Response:

See Q 47.

Question 50 – Does the Draft Code provide an appropriate mitigation of risk involved in servicing NDM demand? If not, please indicate an alternative approach and its rationale.

Response:

N.A

Question 51 – Do you agree that the Draft Code provides an adequate basis to support the release of surplus TSO flexibility as a stimulus to the market? If not, please explain why.

Response:

Yes.

Question 52 – Do you agree that there is merit in including a reference to Balancing Platform trades in the interim imbalance cash-out price determination part, as suggested in the Draft Code? If yes, how should the approach be formulated and what merits would it have?

Response:

We agree with including Balancing Platform trades in the interim imbalance cash out price determination.

Question 53 – Are there any other interim steps that should be considered beyond those envisaged in the table above?

Response:

No.

Question 54 – Are there any specific ENTSOG monitoring and reporting activities that should be explicitly captured in the Balancing Network Code. If so, please identify them and their rationale.

Response:

No.

GENERAL ISSUES

Question 55 – Do you consider that the level of detail in the Draft Code, as it has been tailored according to the topics treated, is appropriate for EU legislation? If not, please explain why with reference to specific topic chapters (articles, paragraphs, etc.).

CHAPTER I. GENERAL PROVISIONS	Appropriate level of detail
CHAPTER II. BALANCING SYSTEM	Remove reference to a default rule. Nominations should be rejected if they do not match.
CHAPTER III. CROSS-BORDER COOPERATION	Appropriate level of detail
CHAPTER IV. OPERATIONAL BALANCING	Appropriate level of detail
CHAPTER V. NOMINATIONS	More detail around transitional arrangements should be given. TSO should consult yearly on the arrangements.
CHAPTER VI. DAILY IMBALANCE CHARGES	Appropriate level of detail
CHAPTER VII. WITHIN-DAY OBLIGATIONS	WDOs can only be implemented where sufficient information is provided. This should be made clearer in this chapter.
CHAPTER VIII. NEUTRALITY ARRANGEMENTS	Appropriate level of detail
CHAPTER IX. INFORMATION PROVISION OBLIGATIONS	Appropriate level of detail
CHAPTER X. LINEPACK FLEXIBILITY SERVICE	Appropriate level of detail
CHAPTER XI. IMPLEMENTATION, INTERIM MEASURES AND ENTRY INTO FORCE	Appropriate level of detail

Question 56 – After reviewing and/or replying to Chapter 5 which follow, do you find that there are other material issues that ENTSOG should consider as it develops the Balancing Network Code?

Response:

No.

Question 57 – Do you find that this supporting document for the public consultation was ‘respondent-friendly’ in terms of its readability, style, etc.? Please explain how we can improve future consultations.

Response:

The supporting document was extremely useful.

