

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, in our point of view the inclusion of the Trade Notification and Allocation scheme will contribute to the delivery of a properly functioning market

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:

Yes,
Regarding the timing for submitting, withdrawing and amending or other issues related to trade notification would be previously consulted to shippers.

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,

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 in the way to get a harmonisation level biannually 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. So, it is essential to support the creation of cross border balancing zones as a previous step.

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:

Yes, but together with ENTSG network users involvement would be ensured in order to identify problems, difficulties, improvements, ... in the way to complete the report with other views.

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,

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...)

If TSO is allowed to trade in adjacent markets, it would be the last resort tool and in a very exceptional circumstances.

On the other hand, if this TSO's trade is needed, the opportunity 1) to merge a bigger balancing zone (market areas or trading region) or 2) to implement cross-border balancing projects would be analysed by TSO, NRA's and ENTSG, with shippers involvement.

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, but together with those parameters others should be considered too, as:

- Transparent
- Non discriminatory

On the other hand, regarding "efficient", it would be technically, taking into account the functioning of the system, but also the possible impact in shipper's logistic activity.

Finally, NRA/ACER should supervise TSO's balancing actions in the way to ensure that it fulfil above mentioned parameters.

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,

On one hand, we think that TSOs balancing actions would be limited to the short term and long term actions would be very limited, exceptional and use as last resort tool. All that, in order to achieve a representative price for imbalance charges. Long term price references could distort this imbalance charge calculation.

On the other hand, in our point of view, a small number of standardised products for trading flexible gas to short-term products would be better for liquidity and the final price would be more representative.

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,

As first step, we think that NC should not prescribe exchange based trading for TSO because the current situation (players, liquidity, ...) of different systems all around Europe is different. In spite of that, the last objective could be to get an exchange-based trading.

In order to get a liquidity and to achieve a representative imbalance charge, in our point of view should avoid that coexist in a system more than one "Side" trading platform or Exchange.

Taking into account above mentioned, we propose to change first paragraph of article 14, establishing that "in each Balancing Zone only one trading platform shall be available for trades in short term standardised products."

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: Yes. In line with Euroelctric's comments.

[Euroelectric] Broadly yes as we think these are best left to national determination to reflect local market circumstances. However, we think the Network Code make it clearer that all Network Users are entitled to post bids and offers on the Trading Platform and that there shall be no restriction on the class of entry or exit point at which Locational Market Products and Temporal Locational Market Products can be provided.

This would ensure that power generators and gas fired power stations are able load switch and offer effective demand side response to the gas market, which is not always the case currently.

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:

Yes, because an agent can have different access contracts in the same interconnection point so we agree with the choices in the Draft Code to put the obligation to (re)nominate on shippers.

If this criteria change, the platform would permit to give instruction in the way above mentioned in order to avoid distortions in shipper's logistic management.

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:

We think that TSO shall use its tools in this order: 1) title market products, 2) Locational market products, 3) temporal market products (only if hourly balancing system is implemented), 4) locational temporal market products (only if hourly balancing system is implemented). Balancing services should be last resort tools and their "participation" in the balancing action should be minimized.

All that, with the aim of achieving a representative cost of TSO's balancing actions.

Finally, NRA should supervise TSO's balancing actions focusing on the use of balancing services.

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:

As we said before, Balancing services should be last resort tools and their “use” by TSOs in the balancing action should be minimized.

If balancing services are considered in the Network Code, their use have to be residual and as last resort and the gradual reduction of their use would be considered in a explicit way.

NRA should supervise this timing and if it is enough justified .

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 think that incentive mechanisms are needed in order to maximise the use of the STSPs to economic, transparent, non discriminatory and efficient operation of the network taking account of the aim to foster market liquidity.

But, on the other hand, taking into account that incentive mechanism would be applied to TSO, in our point of view this mechanism should be proposed and approved by NRAs.

CHAPTER V. NOMINATIONS

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:

In a context characterised by Wholesale market development and shippers responsibility to manage their balance, shippers need tools to manage their balance continuously. In this way, nomination/re-nomination right is one of the most important one and it should not be limited.

This tool is still more relevant in system as Iberian gas systems where exist a great interrelation between gas and electricity system through CCGTs which work as back up of renewable energy (intermittent electricity generation).

Criteria for nomination/re-nominations rejection

In our point of view it should be automatic and as soon as possible with the aim of giving to shippers the option to take another nomination (re-nomination decision) and in order to avoid any type of distortion in the shippers logistic management. For example, a two hours time could be excessive for a re-nomination and this period could condition the shippers participation in the market.

And especially when the justification of this rejection is a “formal or format” issue as:

- not comply with the requirements as to its content,
- submitted by an entity other than a Network user or a party not entitled
- Exceeds the network user’ allocated capacity

Regarding Point 2 of article 23, the rejection would be exceptional, very justified and only when system integrity is at risk. In the same way that we mentioned above, TSO should inform to Shippers as soon as possible.

Finally, regarding the “*Default Nomination Rule*”, in our point of view the criteria (for example it should be equal to the last valid nomination) and its use should be clarified. Together with that, we consider that shippers would be involved in its definition.

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:

Yes, but only if re-nomination rights are not limited after initial day-ahead nomination.

Together with above mentioned, we think that TSOs should also be subject to a reasonable endeavours obligation to harmonise this nomination timescale at least between adjacent entry exit system with the aim to avoid distortions in the cross border flows. This process should be supervised by regulators and shippers involvement should be ensured.

The timing for initial day-ahead nomination should take into account the electricity market schedule. For instance, the day-ahead (D) consumption profile for the CCGTs is frequently affected by the intraday markets taking place during the previous day (D-1). For example in Portugal, the nomination process is concluded by the shipper around 5p.m. (UTC), after closure of the main intraday electricity market.

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:

In a context characterised by Wholesale market development and shippers responsibility to manage

their balance, shippers need tools to manage their balance continuously. So re nominations should be accepted as soon as possible and the coherence between capacity allocation and nomination schedule is essential. If it is not coherent, shippers would book short term capacity without being able to use it.

To sum up, re-nomination schedule should be adjusted to capacity allocation schedule. And the period from nomination/booking to gas flow should minimise.

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 point of view the first objective in the short term should be to get an harmonised nomination rules and a common daily-hourly regime in both sides of the same interconnection point because if it is not achieved, cross border flows could be limited as consequence of regulatory issues.

Regarding above mentioned, NRA may consult with the relevant stakeholders for the purpose of identifying how harmonised nominations and hourly/daily regime.

- If Transitional measures for nominations are applied, they should be coherent at both side of the same interconnection point. In this sense, it is essential the coordination between TSOs and NRA of adjacent systems.

The proposal of transitional measures may consult with the relevant stakeholder.

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:

No,

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.

Above mentioned it is particularly important for daily metered (but no intraday) and NDM customers. Regarding NDM offtakes, 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 modification 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.**

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:

In the same way that the FGs prescribe that locational and temporal transactions should be excluded from the marginal price setting process, in our point of view taking into account the nature of locational/temporal market products, associated to a specific point of the same entry-exit system or particular moment of the balancing period. 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.

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:

Yes, because in the same way that it is mentioned in the “supporting document for public consultation on the draft code on balancing”, using a day-ahead transactions may lead to greater stability in the evolution of anticipated marginal buy price and marginal sell price during the relevant Gas day.

Regarding if there is merit in allowing local discretion, We do not consider that this situation is in line with the objective to achieve the maximum possible level of harmonisation in the definition of imbalance charges. And if local discretion is allowed the impact of local decision in the adjacent entry-exit system should be analysed before applying in order to avoid distortions of cross border flows.

For example if the decision suppose that imbalance charge in this system is higher, shippers priority would be to balance their situation in this system before in the adjacent. In this case cross border flows would be conditioned by regulatory issues.

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:

- We think that a minimum level of harmonisation would be desirable all around Europe. In this way, we think that prices should not be based on bi-lateral OTC trades even where indices and trade details are published by price reporters.

In spite of above mentioned, the impact of local decision in the adjacent entry-exit system (in cross border flows) should be analysed before applying in order to avoid distortions of cross border flows.

- Yes, in our point of view there should be an aspiration that source of trades should be a single and unique platform.

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:

In our point of view it could be designed to be a modest but sufficient incentive to encourage trading.

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,

Together with cross border, it is very important to analyse the impact of this adjustment as in the adjacent systems in order to avoid distortions.

For example if the decision suppose that imbalance charge in this system is higher, shippers priority would be to balance their situation in this system before in the adjacent. In this case cross border flows would be conditioned by regulatory issues and it could cause distortions in the wholesale market of that entry-exit system.

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:

Yes, the elaboration of the criteria in the Draft Code would be sufficient and each implementation would depend on each system characteristics.

In general in 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. So 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.

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

Response:

Together with information provision, it is also important to have “tools” which could be use by shippers in their balancing action with the aim to fulfil WDO.

For example, re-nomination schedule, capacity products and coherent allocation schedule....

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:

Furthermore the public consultation on TSO’s WDO proposal mentioned in article 13, another consultation would be established before taking the decision on WDO implementation.

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:

No remarks

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:

No remarks

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:

- The FG establish that
 1. *“TSOs shall be cost neutral in relation to their balancing activities”*
 2. *“Any net costs or revenues arising from TSO balancing and financial settlement of network user imbalances shall be passed on to network users...”*

But in our point of view there is a initial step that conditions above mentioned points: the final quantity of cost/revenue. In this way the quantity recognized would be that derives of an adequate (efficient) management of TSO, not any quantity. In this way, 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.

- Regarding harmonised specifications for neutrality,
 - Implementation of fixed costs would be avoided because it could distort imbalance charge calculation. So, in this way, as we said before, the use of balancing services should be avoided or minimized.
 - Amongst considered charges, information provision and its accuracy/frequency should be considered because without good information it is very complicated/impossible to manage a balance and to avoid out of balance situations.
- Furthermore, if cost 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 and Shippers Balancing Neutrality Charges calculation and apportionment amongst the network users shall be developed by NRA, ensuring shippers/TSOs involvement in the process.

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

Response:

As stakeholders remarked during the NC development process, transparency is a key element of neutrality. Together with each shippers' balance, TSOs should provide/publish all relevant information about cost/revenues derives of balancing actions which are going to pass to Network Users. In this way, each shippers should be able to re-calculate each imbalance charge.

About frequency, it should be as soon as possible and at least coherent with imbalance charge frequency. So if imbalance charge cash out is daily, shippers should be able to re calculate daily.

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:

See answer to question 31

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:

Together with analyse to divide costs and revenues associated with end-of-day balancing from those result of within day obligations, it would be also considered those cost which are not manageable because there is not accurate information.

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 accuracy/frequency) for all network users (for example for shippers with NDM offtakes), it should be taken into account and TSO's (not by other shippers) would assume a part of the "deviation" or a tolerance levels should be established for example related to NDM offtakes.

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

Response:

First , Imbalance charges shall be levied on the network users that were out of balance at the end of the gas day. This quantity should be maximized with the aim to minimized the "socialized" or apportioned quantity among all agents.

After that 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 (accuracy/frequency) for all network users (for example for shippers with NDM offtakes), it should be take into account in the attribution process.

This should be left to national determination (Eurelectric)

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, it should be developed in the Methodology for Balancing Neutrality Charges Calculation and apportionment by each NRA. In line with Euroelectric's comment.

[Euroelectric] No. The Code currently states TSOs shall be entitled to take necessary measures and impose relevant contractual requirements on network users to mitigate the default in payment. We believe that TSOs should be required to take such measures and impose such requirements as if the

TSO is held cost neutral throughout neutrality, it will be shippers that pick up the costs of any shipper default or non payment and so reasonable credit protection must be put in place.

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,

In the same way that the regulation 715/2009 established, we consider that balancing regime should be levied and identified separately from other transmission charges.

Furthermore, It would have potentially lower implementation and operational costs to adjust through transmission charges but on the other hand, with this system, the cost could be paid by shippers who did not participate in the system when cost was generated and vice versa.

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:

Yes,

In the “Information Provision Models for offtakes” decision process, it is very important to keep a balance between 1) shippers balancing obligations and the 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 applied model should take into account each system’s characteristics.

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

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.

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

Response:

In our point of view, any model implemented (base, variant 1 or variant 2) should be approved after consultation process, and ensuring shippers involvement in it.

Together with above mentioned, it is also important to have an cost-benefit analysis (CBA) on all alternative models before taking decision.

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:

Yes, we support the additional proposal that the cost-benefit analysis (CBA) should also examine the time taken to provide information to Network Users. In the same way we think that information must be delivered in a reasonable time period.

So, together with the time taken to provide information to network users, the cost-benefit analysis (CBA) should also examine, at least, the accuracy of this information

Finally, in the *“Information Provision Models for offtakes”* decision process, it is very important to keep a balance between shippers balancing obligations and the availability of information (frequency, accuracy and time taken to provide information) for shippers. So applied model should take into account each system’s characteristics.

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:

No,

In the “*Information Provision Models for offtakes*” decision process, it is very important to keep a balance between

- shippers balancing obligations
- availability of information (frequency, accuracy and time taken to provide information) for shippers.
- availability of tools for managing the balance after TSO’s information provision.

So applied model should take into account each system’s characteristics.

Taking into account above mentioned, timing of information flows should be established in a local basis, but always fulfilling the Framework guidelines (2 times per day) and ensuring that shippers have time/tools (For example, Capacity products) after each provision to manage their balance.

Finally, together with information about NDM and IDM offtakes, it is necessary to have information about DM offtakes with the aim to manage the balance of the portfolio.

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: Yes

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

Response:

Yes,

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:

In our point of view the criteria for linepack flexibility services are sufficient.

On the other hand taking into account 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), together with linepack flexibility services, tolerance levels (quantity not considerate in the imbalance quantity) should be established.

CEER mention 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 said before, this tolerance should be also applied to NDM offtakes 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

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:

In general there are references to assess the functioning of a wholesale market for example criteria proposed by CEER in the Gas Target Model. But they are not exact, CEER said that *“The values mentioned are meant as indication”* and there are other characteristics associated to each system that conditioned the analyse.

So, in the same way as Eurelectric, We do not think any further account or measures need to be provided for in the Code as NRAs should be capable of assessing the competition, liquidity and efficiency of markets, and indeed do so already using a variety of indicators and metrics.

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:

[Eurelectric] We agree with the introduction of measures to enable a wider access to short-term flexibility as specified in the Code (For example storage short term capacity products for linepack and underground storage), at least as initial measures to be applied in systems where liquidity is not developed enough and flexibility is generally held by incumbents.

If other measures are contemplated to enable wider access to short term gas flexibility, they should be coherent between adjacent systems in order to avoid any type of distortion on cross border flows and difficulties in the market integration. In this sense, it is essential the coordination between TSOs and NRA of adjacent systems. And the shippers involvement in all the decision process should be ensured.

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:

In our point of view including or not LNG in the balancing zone should be analysed and decided in a local basis because it depends on own characteristics of each system. And in this decision process, shippers involvement should be ensured.

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:

No,

In the “Information Provision Models for offtakes” decision process, it is very important to keep a balance between 1) shippers balancing obligations and the 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.

This is especially relevant for NDM offtakes because it is impossible to have actual information during the day or just after finishing it so it is impossible to take balancing actions by shippers with the aim to get balance their portfolio.

To sum up, tolerance levels should not be considerate in the imbalance quantity and it should not be cashed out.

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 answer to question 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:

Yes

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: Yes. In line with Euroelectric's comments.

[Euroelectric] Yes. However, we would caution against different tolerance levels being applied to different offtake categories and for separate rules being applied for the non-daily metered category. Where metering of intra-daily metered or daily metered offtakes is not currently managed efficiently, inaccuracy of data can cause significant imbalance risk for shippers. Whilst forecasting non-daily metered demand should, over time, become more accurate, intra-daily metered demand (particularly gas fired power stations) is expected to become less predictable and more volatile.

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: Yes. In line with Euroelectric's comments

[Euroelectric] Yes. Whilst TSOs use Balancing Platforms as the sole means for taking Balancing Actions it would be appropriate to consider these in interim cash-out price determination as they should better reflect the cost of balancing and incentivise shipper self balancing that an administered or proxy price.

However, even in developed balancing regimes, TSOs may need to retain Balancing Platforms in order to have access to Locational and Temporal Products, albeit the use of these products can be expected to diminish over time. In this case the costs of these trades should not be included in imbalance cash-out price determination as only Title Products should apply once when liquid short term title markets and platforms are established.

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	
CHAPTER II. BALANCING SYSTEM	
CHAPTER III. CROSS-BORDER COOPERATION	
CHAPTER IV. OPERATIONAL BALANCING	
CHAPTER V. NOMINATIONS	
CHAPTER VI. DAILY IMBALANCE CHARGES	
CHAPTER VII. WITHIN-DAY OBLIGATIONS	
CHAPTER VIII. NEUTRALITY ARRANGEMENTS	
CHAPTER IX. INFORMATION PROVISION OBLIGATIONS	
CHAPTER X. LINEPACK FLEXIBILITY SERVICE	
CHAPTER XI. IMPLEMENTATION, INTERIM MEASURES AND ENTRY INTO FORCE	

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

Response:

NEUTRALITY – Considering that in some member states the TSO is responsible for the operational management of the national natural gas system (transmission system, LNG terminals and storage facilities), it would be prudent that the actions developed by the TSO balancing the system could be supervised and audited by the correspondent NRA. That is, network users should not be affected with additional costs, that have been originated by the TSO acting as a global manager of the infrastructures

IMBALANCE CHARGES – Whenever the DSOs perform a commercial portfolio revision and shippers become unbalanced, imbalances charges should not be applied to those shippers considering the quantity originated by such revision. On the other hand, a shipper may balance its portfolio with the information delivered periodically by the TSO, but knowing in advance that such information is not accurate and maintained in a promptly manner. Thus, we do not agree that imbalance charges should be applied to shippers due to misleading information delivered by the TSO. This NC does not clarify the impact on individual imbalances charges due to the above mentioned situations.

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 helped in explaining the policy options considered and adopted by ENTSG and broadly reflects discussions that took place at the SJWS Workshops.