

Responses to Consultation on Draft Code on Balancing

Name

First and Last Names:

Organisation

Company/Organisation Name: STAKEHOLDER 1 (requesting confidentiality)

Job title:

Contact details

Email:

Tel:

Mobile:

Address

Street:

Postal code:

City:

Country:

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, the implementation of a single virtual single point (as relevant point for each national transmission system) could contribute to introducing a balancing system based on market criteria.

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.

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:

Yes, it might be useful to review the balancing rules periodically. In this sense STKH#1 believes that a two-year term is a good practice.

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:

STKH#1 agrees with the review process proposed in the draft NC. To support the review of the harmonisation of balancing rules, ENTSOG must publish a specific report on its website.

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:

In line with the provision described in the article 7, network users shall take primary responsibility for balancing their injections to/withdrawals from the network. For this reason, therefore, TSOs should not be allowed to trade in adjacent markets. Moreover TSO cross border balancing seems to be not complying with Regulation 715/2009, which obliges TSOs to maximise the transport capacity to available to network users. In any case, the procurement of gas by TSOs cannot involve the withholding of capacities from network users.

As an alternative, it may be easier to give the opportunity to network users to offer balancing service in adjacent markets. This approach would avoid TSO involvement in activities out of its control (for example the booking of transport- capacity at interconnection points)

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:

We find that the criterion of “economic efficiency” is relevant to guarantee the proper selection of TSO balancing actions.

As described in the Supporting document, this selection should not only take account of the lowest price available for the TSO but also consider the needs of the market (for example: compliance with the national regulation, securing competition between shippers, etc).

In any case, TSOs should provide maximum transparency about their Balancing Actions and why they chose to use a short term product instead of a service (and vice-versa).

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:

STKH#1 agrees with the proposal to identify standardised products limited to the short term.

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:

In general terms, STKH#1 agrees with ENTSG proposal.

The choice of an exchange based trading shall be set out by NRAs.

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:

STKH#1 believes the level of detail in the draft NC is appropriate.

Balancing Network Code should only focus on the general features of Short Term Standardised Product (STSPs); the implementation of additional aspects – as lot sizes – should be left to national determination.

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:

The Trading Platform Operator should provide information on market results with reference not only to prices but also to quantities traded.

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

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:

In general, STKH#1 agrees with ENTSGO proposal.

We underline the necessity that TSO shall prioritize the use of Title Market Products instead of the other Short Term Products. For this reason, the text use to describe the merit order should be made more specific, by replacing “shall seek to” with “shall”

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:

STKH#1 believes that Balancing Services shall be used when the trading of Standardised Short Term Products doesn't guarantee the balancing of the system. In line with the provision described in the article 7, TSO shall leave the Users the responsibility to undertake all the balancing activities needed on their specific portfolios on market based principles

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:

In general, STKH#1 agrees with ENTSGO proposal but underlines the necessity that the incentive mechanism has to be subject to NRA approval. In order to avoid particular interest of TSOs, the incentive mechanism must be well defined by NRA and then subject to a public consultation.

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 general, STKH#1 agrees with ENTSGO proposal.

TSOs should not be able to reject nominations/renominations because of physical congestions. No exceptions should be permitted because it would undermine the concept of firmness. The only exceptions to this could be in case of emergency or force majeure situation.

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:

The timing for initial day-ahead nominations proposed by ENTSGO seems to be reasonable and appropriate.

As a general remark, we believe this nomination schedule should be applied across all national entry points. With regards to the Interconnection Points (IP) between Member States and IP with third countries STKH#1 would suggest to promote the developing of equivalent procedures taking into account the peculiarity of each IP in order not to penalize the Users importing from third countries including non European ones. In addition we believe that TSO/NRA should adopt this nomination timescale across all national entry points.

To support network users' balancing decisions, it's clear that system information will be provided to users in a prompt and timely manner.

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 general terms, STKH#1 agrees with ENTSG proposal.

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 general terms, STKH#1 supports the possibility for some systems to introduce transitional measures and encourages the definition of testing period for the involved stakeholders in order to verify potential critical aspect.

Whit regard to daily-hourly regimes we believe the peculiarity of the issue should better be discussed within a consultation process at local level.

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:

In general terms, STKH#1 agrees with ENTSG proposal. As a general remark, we would like to stress the importance for network users to have information about their input and offtakes in a prompt and timely manner (particularly in case of NDM Offtakes).

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:

No

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:

We do prefer a marginal price system and do not think day-ahead trades should feed into the

determination of such price. In more general way we support the definition of specific mechanism to be discussed at local level based on the general principles set in the Network Code.

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:

See answer to question 21

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:

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:

In a preliminary stage of implementation we do not think it necessary to allow cross border trade influencing the price set in a specific market.

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:

STKH#1 believes that ENTSG has correctly identified the key WDOs criteria.

In general terms, STKH#1 believes that WDOs may be needed only in emergency situation of the system and have to be determined on a case-by-case basis.

In case of WDOs accurate and timely information become essential for shippers to enable them to comply with the obligation.

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

Response:

Criteria for assessing WDOs need to be clear and transparent in order to avoid situations of uncertainty

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:

We believe that it is reasonable that any within day obligation proposed by the TSO must be firstly consulted amongst stakeholders and then approved by NRAs.

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:

STKH#1 believes that 6 months is an appropriate period for the approval of any existing WDOs since network users need to have a clear set of rules specified in the shortest possible time. Where new obligation should arise the time frame should necessarily be reviewed, given all the commitments involved in terms of communication between TSO and market participants, including NRAs and TSOs in adjacent Balancing Zones.

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:

See answer above.

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:

STKH#1 believes the scope of neutrality mechanism followed by ENTSG is reasonable and appropriate. In line with the provision of the draft NC, STKH#1 believes the methodology for balancing neutrality charges calculation and apportionment amongst the network users shall be approved by each NRA hopefully after a public consultation.

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

Response:

See answer above.

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 above.

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:
See answer above.

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 above.

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:
See answer above.

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:
See answer above.

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:
STKH#1 believes that ENTSOG has correctly identified the principal information provision models for off-takes.

As a general remark, STKH#1 would like to stress the importance for network users to have information about their input and offtakes in a prompt and timely manner. For this reason, STKH#1 feels that TSO (and/or DSOs) should make available to each network user (i) non daily metered forecast , provided day ahead, and (ii) final offtakes, after the gas day, detailed at least for each metering category (non daily, daily and intraday). The availability of these information is essential to support Network Users in balancing their portfolios.

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 line with the provisions described in the Draft NC, STKH#1 believes that implementation of Variant 2 should be approved only after national consultation process.

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:

STKH#1 believes that, once the balancing system has been designed on the real information available to the network users, 2 years is a reasonable period for an updated CBA. We confirm the “time taken to provide information” issue is a relevant one and should be included in any CBA. We also believe the NRA should take care of this analysis involving local shareholders in the consultation process.

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:

Balancing Network code should define a minimum set of mandatory information to be provided from TSOs/DSOs to Network Users. The detailed time line of information flows should be set at local level after a consultation process by NRA

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:

Transparency Guidelines already describes all the system information necessary for network users. According to provision “linepack flexibility service rules” outlined in Chapter X, network users need correct information about the gas quantity in pipelines.

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 general terms, STKH#1 believes that ENTSG has correctly identified the key Linepack Flexibility Service criteria. In line with cost-reflective principle, we believe that TSO's tariffs should reflect the cost of service. For this reason, we propose to amend article 47 (1)(b) by delete "at least".

We only remark that linepack should primarily be used by the TSO to balance the system thereby lessening the need for Within Day Obligations being applied.

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:

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?

Any interim measure must be made at a national level under the supervision of NRAs.

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:

The inclusion of LNG for balancing purposes procedures would need to be defined specific rules to enable users of the terminal to change, during the gas day, the gas quantity injected to the network by the regasification company. A further analysis of the issue will be necessary at national level. This analysis should include terminal users, regasification companies and TSO.

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:

STKH#1 believes that well organized consultation process held at national level should guarantee the market design be based on the real constraints faced by Users. In such a contest the needs for tolerance based balancing prices should have been already minimized.

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 above

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.

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:

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:

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	
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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 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:

STKH#1 believes that the support document has been useful for the understanding of the consultation