

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:

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:

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:

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:

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:

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:

GSE considers appropriate to take into consideration, when choosing the most appropriate balancing action, the overall efficiency of the balancing mechanism and therefore it supports the expression “economic and efficient” as a criterion to assess the TSO Balancing Action.

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:

GSE believes that in order to have a liquid market it’s important to have a limited amount of short term products.

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:

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:

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:

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:

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:

The merit order described in Art 13 of the network code gives priority for Title Market Products and keeps Balancing Services at the last place. GSE understands the priority of Title Market Products and Locational/Temporal Market Products as an instrument to increase liquidity. However GSE would like to stress the importance of Balancing Services as instruments to ensure system integrity and Security of Supply.

Not only the above mentioned technical aspects are crucial, different sources of flexibility are also in commercial competition. There is no reason for undue commercial preference of one or the other source of flexibility as long as the overarching targets (such as increase of flexibility) are not undermined.

In order to pursue an overall level of efficiency in terms of balancing actions costs GSE considers more appropriate to revise on a rolling basis the merit order of possible balancing actions taking into consideration also the minimum costs approach.

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:

see question 12.

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:

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:

GSE understands that the procedures for the submission of nominations/re-nomination set out in the Draft Code (art. 20, 21, 22&23) apply to Interconnection Points only. GSE is of the view that the Network Code shall only apply to Interconnection Points, in line with Regulation 715/2009, in particular with article 8(7). It does not apply to interconnections with storages which are covered by art.24, consequently to non-applicability only general principles can be described in the Network Code.

Nevertheless national regulators, transmission and storage operators should endeavour to facilitate coordination of nomination/re-nomination procedures and may reduce lead-times in a harmonized way where operational possible and requested by the market in order to procure enough flexibility to network users to manage their imbalance portfolio. This coordination should be encouraged by the NRAs taking also into account the current nomination/re-nomination procedures followed by the operators and the local regulatory regimes.

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: see question 15

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: see question 15

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: see question 15

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:

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:

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:

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:

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:

GSE recommends that the amount of the small adjustment should be calculated taking into account the level of flexibility of the system. GSE supports that the small adjustment has to be sufficiently large to reflect the real value of physical flexibility. In this case it could become an investment signal for developing of further flexibility tools and as a result it could contribute to increased system integrity.

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:

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:

Gas storage plays a vital role in the gas value chain in Europe. The cold snap in February 2012 recalls the relevance of security of supply and the crucial role of storage within. Finally storage is an important tool for the close to real time balancing of gas systems. To offer the full technical capability of gas storage –the daily withdrawal and injection- for their customers storage operators

have to rely on integrity of the transmission system the storage facilities are connected with. A reasonable guaranteed pressure for example is required to get sufficient volumes in and out of storage.

Consequently GSE agrees with the introduction, where is required by local circumstances, of necessary Within Day Obligations which can ideally stimulate the use and development of storage services. Where a WDO is set up GSE recommends that its amount is shaped taking into account the overall flexibility level of the system. A credible within-day incentive mechanism is likely to incentivize shippers to balance their portfolio thus warranting greater system integrity.

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

Response:

Refer to question 25

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:

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:

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:

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:

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

Response:

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:

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:

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

Response:

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:

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:

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:

CHAPTER IX. INFORMATION PROVISION OBLIGATIONS

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

Response:

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:

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:

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:

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

Response:

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:

The different sources of flexibility (such as flexible supply contracts, storage, LNG-terminals, linepack etc.) are in commercial competition. There is no reason for undue commercial preference of the one or other source of flexibility as long as the overarching targets (such as increase of flexibility) are not undermined.

Regarding the Linepack Flexibility Service GSE recommends TSOs incentives are designed in order to guarantee that the system is operated within the right operational envelope to ensure the integrity of the system.

GSE understands linepack as a fast and helpfull balancing instrument, but the commercial use of linepack shall be limited to the physical ability of the respective network, shall not constitute a commercial balancing tool and shall consequently not undermine the business opportunities for other sources of flexibility such as storage. Consequently GSE supports the position of ENTSG which states that the TSO shall not need to enter into any contracts with other infrastructure provider for the purpose of provision of a Linepack Flexibility Service. In case this service is offered by the TSOs it shall be offered in a transparent and non-discriminatory basis. GSE reminds that the treatment of revenues generated by offering linepack needs to be carefully analyzed including aspects of revenue neutrality.

Furthermore, given that linepack flexibility service is considered as a „storage facility“ available for network users, its management should be similar than underground storages or LNG plants facilities in relation to operational issues like: nomination required, lead times, etc. Finally in case Withinday Obligations are imposed by the TSO to network users the offer of a Linepack Flexibility Service should be minimized. This approach would at least minimize discrimination between flexibility services provided from different gas infrastructures.

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?

Response:

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:

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:

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:

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:

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:

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:

GSE understands that TSO shall limit the use of long term balancing services and that exceeding capacities shall be offered to the market. GSE supports the purpose of increasing market liquidity but would like to stress that system integrity should not be compromised and that any change shall be done carefully and with full involvement of the respective SSO in order to avoid market distortions.

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:

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:

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.).

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CHAPTER II. BALANCING SYSTEM	
CHAPTER III. CROSS-BORDER COOPERATION	
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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:

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:

GSE believes that the supporting document was a useful tool for a better understanding of the draft NC content and proposals. But GSE is of the opinion that the supporting documents should be seen as a supporting explanation for the draft but never as an integrated and legally binding part of the Network Code.