

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.

Name

First and Last Names: Christian Sidak

Organisation

Company/Organisation Name: EconGas GmbH

Job title:

Contact details

Email: christian.sidak@eongas.com

Tel: +43 (0) 50205 8413

Mobile: +43 (0) 664 88456913

Address

Street: Ares Tower, Donau-City-Strasse 11

Postal code: 1220

City: Vienna

Country: Austria

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: In markets without existing entry/exit system somekind of trading mechanism is needed to fulfill the obligations of the NC BAL. The questions remains if such a system is needed in markets with an already established VTP in which such a Trade Notification system seems only as an additional burden for the shippers without any advantage.

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: Yes, we agree.

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, we agree.

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: Yes, but only as a matter of last resort. First the TSO must try to trade in his home market by starting with the Market Title Product and ending with Balancing Services and only if no standardized products or services are usable the TSO shall have the right to trade titles on adjacent markets. If the TSO intends to do so it must be assured that the transport capacity needed shall not be withheld from other network users (non-discrimination & transparency) and it must also be assured that the renomination rights and possibilities of the network uses are not curtailed or restricted by the balancing TSOs actions.

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:

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: Not entirely. In our opinion a medium- or long-term standardised product could be useful for TSOs if there is not enough liquidity on the short-term market to cover the TSO's need for balancing energy.

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 we think that the decision about the design of the trading platform should be left to the NRA and the market participants who should be consulted on. More interesting would be a BAL NC harmonised specification regarding the membership requirements of the trading platform, eg. licenses, securities or IT and possibly the inclusion of a CBA. Additionally the Gas Target Model and its implications regarding cross-border trading areas and the envisioned time frame should be monitored.

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: In our opinion we think the current level of mandatory services is sufficient in regard to trading platforms. Nevertheless we would like to see some kind of harmonisation of the platform design (IT, processes, STSPs) through the BAL NC to avoid overbording fragmentation throughout the different platforms in the EU.

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: We agree.

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 our opinion the sequence of the tools is appropriate and sufficient. On the other hand we think that the given guidance in form of the merit order has to be more verbally strict (eg. *the TSO must use* instead of *shall seek to*).

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: In our opinion only the last criteria might be troublesome. The cost criteria is directly linked to the liquidity of a newly formed balancing market. In a way the possibility of the TSO to switch to Balancing Services if the prices of a not-so-liquid STSP market offers is a major barrier for the further development of market liquidity, in a way strangling the market in its infancy.

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 agree.

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: We consider the procedures to be reasonable.

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 proposed initial day-ahead nomination schedule seems to be agreeable on but we want to stress out that the current existing scheduling conflicts (within day auctions/renomination

deadline) need to be addressed and should also be seen in regard to the present EASEE-gas standard on nomination timings.

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 our opinion the two hour confirmation deadline for the TSO is too long. We strongly suggest to reduce this deadline to one hour only.

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 regard to system integrity measures (rejection of nominations due to system endangerment) we strongly advise to introduce a kind of causer/helper principle. In other word the TSO should curtail or restrict the nominations of the shippers first that put the system at risk. It should be avoided that shipper A causes the unbalance and as a result shipper B gets his nomination changed or rejected by the TSO.

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: No. We agree with the FG BAL that temporal and/or locational product prices should not be included in the weighted average price calculation due their potential for price distortion. Both products will often only be offered by few participants which in turn could lead to price distortion.

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, we do not see the advantage of including day-ahead trades into the daily price determination as imbalance charges should only reflect the position and prices of the the relevant day at hand.

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: No, in our opinion the applicable sources of trades should be defined in the BAL NC and not left to local discretion.

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: There should be a balanced approach reflecting the value of the flexibility and thereby encouraging users to stay in balance but without acting as a barrier to cross-border 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: We agree.

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, in general they seem to be sufficient. But as usual, information provision to give network users the means to comply with any within-day obligation are paramount. (eg. more specific definition of timely manner in regard to article 33/1/b)

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

Response: No. But we suggest to evaluate if the criteria are sufficient after the BAL NC comes into force.

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: In our opinion the current neutrality section of the BAL NC leaves too much room for the NRAs and TSOs in developing diverging rules regarding neutrality mechanisms. We suggest to at least develop a basic design for neutrality mechanism, pots, etc, that harmonizes this system core throughout Europe to avoid 27 different sets of rules.

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

Response: The scope of the transparency rules seems to be sufficient. Although we suggest to evaluate the provided information after the BAL NC comes into force in regard to its usefulness of assessing the performance of the system. It might also be useful to harmonize the information provided by TSOs throughout Europe to enable network users to compare different EU systems.

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: The level of granularity should be as detailed as possible, at least on a daily basis as the overall balancing system also is a daily one.

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. In general the more detailed, clustered and processed the data is the easier it should be to link it to eg. certain users, areas, period of time, etc. In the view of the desired direct attribution of costs/revenues to their causers (network users) the proposed splitting of the neutrality charges into pots/classes seems to be a necessary instrument that should have been included in the BAL NC directly.

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

Response: Besides a temporal differentiation (within day, daily, monthly,...) there could be also pots for different classes of users (trader, supplier, NDM, DM,...) and for different neutrality components (WDO, Balancing Actions,...).

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: We do not see any specifications regarding cash-flow management in the current draft. In general we think the more the BAL NC defines the better for harmonization of network rules in the EU. Therefore also more specifications in this regard are welcome.

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: This might also be a workable solution as long as the above described granularity, detailness and insightfulness are still given.

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: Generally the proposed models are fulfilling the requirements of the FG. Nevertheless we strongly suggest one model to be the target model which has to be adapted after a transition period throughout the EU.

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: Yes, we agree.

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 strongly support this idea.

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: We agree that there should be a harmonised timing of information flows in the EU. We do agree with the proposed draft.

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: Yes, we think the criteria were met. Additionally we suggest to prioritise the use of the linepack by the TSO if it reduces system/balancing costs.

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: Non-discriminatory and transparent.

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: Such approach must only be allowed in cases where no other alternative is viable (eg. Portugal). The definition of “smaller markets” is very important in this regard and we suggest to define as strict and exceptional as possible to avoid unintended LNG terminals suddenly be transformed into balancing platforms thereby expropriating the original terminal user rights.

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: We agree for the time being as long as the market is liquid and we suggest to conduct a separate evaluation of this topic.

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: We support the idea that the phase out of tolerances is linked to the quality of the information provided by the TSO/DSO although we think that tolerances in general are a useful tool.

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: Very difficult to answer the first question without trying it out in real. Nevertheless the inclusion of any risk mitigation in regard to NDM supply exposure is necessary and absolutely welcome.

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: We agree.

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 are not sure that the proposed chain of events after the introduction of this approach will become reality. Another alternative would be to use a proxy for the market price, eg. an adjacent market price or ideally a basket of price proxies (cf. German price pool for balancing energy).

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.).

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 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: