

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, given that implementation of the Code would not be possible without the development of a virtual trading point, which enables network users to exchange gas between their portfolios.

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:

There is no definition of a 'Trade Notification' in the draft Network code, which would be helpful to clarify that, in our understanding, this refers to the notification by a user to the TSO, where two users or the TSO and a user, agree to transfer gas between the two parties.

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. This seems like an appropriate length of time to assess progress.

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 with the proposed review process and the ensuing report should be made available

in the public domain to facilitate transparency.

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:

To ensure the system is kept within safe operational limits, there may be defined circumstances where it is appropriate for the TSO to trade in adjacent markets but this should not impede price signals for network users to procure gas in adjacent markets to balance their positions nor should it result in capacity being withheld from network users.

Trading in adjacent markets might be considered to be in conflict with the role of the TSO as residual balancer but we recognise that where the TSO's market is not sufficiently liquid, there may be a role for TSOs trading in adjacent markets via an Operational Balancing Agreement as an interim measure, under specific circumstances, defined and consulted on by the relevant TSO. A deadline for the interim period should also be consulted on as such TSO actions may serve to further delay liquidity in its respective market.

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:

Whilst the TSO should consider economic and efficient criteria when assessing balancing actions, the economic element of the incentive should not necessarily mean that the TSO should take the lowest price available as this may create perverse incentives for the TSO to take actions further ahead than the within day market. Firming the wording in the merit order to ensure that the TSO prioritises within day actions first and foremost should prevent this, and then the economic and efficient incentive can apply to balancing actions, taken in the order of merit.

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:

STASA agrees that it is appropriate to limit products for trading flexible gas to short-term products and to have only a number of short-term standardised products. However, it is clear from the supporting document that a combination of buy and sell title products can effect the same result as a temporal product. Where the market is sufficiently liquid, the TSO should prioritise the use of title market products and this should be made clearer in Art. 13: Merit Order – see our response to Q.12 for more detail.

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:

Where the differences between exchange based trading and OTC trading on a platform are not expected to pose undue barriers to cross-border trade or entry into the market, it makes sense for the decision to be left to the discretion of the TSO. We do not consider that the network code needs to provide any further criteria and factors for the TSO to use exchange based trading.

What is crucial to facilitate the exchange of gas between two counterparties, neither of which is the TSO, is a 24/7 operational market or platform, such as a bulletin board to facilitate free and easy transfer of gas day-ahead and where possible, within-day. This should be written into the Gas Balancing Network Code. Trading of Title gas at the VTP should also be available 24/7.

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:

STASA agrees with the current level of services to be provided by a Trading Platform, as specified in the Draft Code.

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:

Where there is a locational trade and the accepting Trading Participant is a network user, the accepting party would have to (re)nominate as well as the originating party.

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 concur with the sequence of the tools in the merit order, however, in our opinion the merit order should be made more concrete to ensure that flexible gas is not removed from the market by the TSO and that TSO balancing actions serve to deepen liquidity and that the associated costs are directly linked to the price of flexible gas in the wholesale market, wherever possible.

To support this, we would suggest changing Art 13:

‘while deciding on the appropriate Balancing Actions to undertake, the TSO shall ~~at least consider~~ adhere to the following criteria’.

13.1. The TSO shall ~~seek to~~ prioritize the use of Title Market Products ~~where and to the extent appropriate~~ over any other available Short Term Standardised Products.

13.2 The TSO shall ~~consider the~~ use of Locational Market Products when, in order to keep the Transmission System within its operational limits, gas flow changes are needed at specific Entry and/or Exit Points ~~and/or to start from a specific period of time within the Gas Day~~.

13.3. The TSO shall ~~consider the~~ use of Temporal Market Products when, in order to keep the Transmission System within its operational limits, gas flow changes are needed within a specific period of time within the Gas Day and this requirement cannot be met by using ~~The TSO shall only use a Temporal Market Product when in its discretion under defined circumstances it would be more efficient and economic than buying or selling of a combination of Title Market Products or Locational Market Product~~.

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:

STASA is broadly supportive of the proposed criteria.

Where a TSO is able to procure a storage contract for balancing services, it will clearly have its own flow onto and off the system. This risks limiting the flexibility available to other network users.

However, we accept that in some circumstances and in certain Member States, it may be appropriate for the TSO to access a limited volume of gas in storage. Gas from storage should, however, be tendered for via an auction, rather than pre-allocated to the TSO, to ensure the price of gas in store is not raised artificially. This will further promote transparency and non-discriminatory access to sources of flexibility.

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:

Yes. It is our view that the TSO is best placed to write the incentive mechanism as the TSO has the

knowledge and expertise of its network and operations. The incentive mechanism should then be open to consultation to all stakeholders and approved by the NRA.

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:

STASA supports harmonised re-nomination and nomination rules lead times being included in this Network Code.

STASA would further recommend that provisions are made in the Code to support nominations for an end of day value, as opposed to hourly nominations to encourage liquidity and ease of access to the market.

Moreover, using Edigas as a standard way of sending and receiving operational data and messages between counterparties would further facilitate entry into the market and exchanges between network users. A European standard for communication via Edigas could be drafted into this Code or into the Interoperability Code.

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:

Yes.

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:

Yes.

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:

The circumstances under which nominations or renominations might be rejected, as per Art. 23, is unclear.

In particular, Art. 23.2, which states that the TSO may reject or partially accept a (re)nomination on the Network User's intended Inputs are not equal to the Network User's intended Off-takes in the

event that the integrity of the system is endangered, puts into question the concept of firmness of a Network User's rights to flow gas. Specific measures for the TSO to utilise to ensure the integrity of the system is not threatened should be dealt with elsewhere. This point also applies to Art. 23.1(d). With respect to the transitional measures, we suggest that where transitional measures need to be put in place, the TSO should consult on these and also a deadline by which the transitional measures should fall away. The consultation should make clear why transitional measures are required.

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:

STASA supports the Daily Imbalance Quantity determination proposed in the Draft Code.

In Art. 28.2 it is, however, unclear what is meant by 'gas in kind' with respect to calculating the Daily Imbalance Quantity. We would welcome further clarification in this regard.

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:

To ensure the costs of balancing on the day are appropriately targeted to users causing the imbalance, only within day trades should feed into the determination of the marginal prices.

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:

The source of trades should originate from a single wholesale platform to ensure anonymity, equal access to market participants, transparency, financial security and reliable and auditable imbalance prices. A standardised approach to exchange based systems would further facilitate this.

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

Response:

The small adjustment should first and foremost be to encourage trading. The value of flexible capacity will naturally evolve through a liquid traded market, rather than through a charge, based on TSO actions.

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. The impact of the small adjustment on cross-border trade should be taken into account.

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:

STASA is concerned that there is a conflict between the Framework Guidelines and the draft Network Code and the different obligations on the TSO within the draft Code with respect to the tools the TSO has at its disposal to manage the integrity of the system, either via Balancing Actions, i.e. buying or selling STSPs and via WDOs.

The FGs and by default the Code (Art.34.4(a)), states that the relevant NRA will consider the extent to which WDOs will 'minimise the TSO's use of Short Term Standardised Products and Balancing Services in order to maintain the Transmission System within its operation limits'.

STASA recognises that there may be circumstances, depending on the nature of the system, that some form of WDOs may be required in certain Member states, at least in the interim. However, by way of example, an hourly WDO would likely minimise the use of STSPs products but this would be at the cost of liquidity, which would otherwise arise from the use of STSPs. We acknowledge that the recommendation document, described in Art. 33.4 should include an analysis of the impact on the liquidity and the Short Term Gas Wholesale Market but to ensure that WDOs are not used in preference to the use of STSPs, an additional criterion should be added to Art.33.1, which makes it explicit that the use of STSPs should be prioritised, above the use of WDOs. This should best achieve the objective of the draft Code to develop a European gas balancing regime which is market based and enables users to trade gas efficiently.

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

Response:

Yes. The use of STSPs should be prioritised above the use of WDOs.

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:

Under Art. 34.2 it states that where the NRA does not provide a reasoned opinion as to why the TSO's proposal has been rejected within (6) months, then the proposal will be deemed to be approved. STASA does not support this approach. It is good practice for the NRA to approve all such proposals, including a reasoned opinion for making that decision. Without an explicit approval from the NRA it is difficult for stakeholders to understand the rationale for the approval of a proposal.

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

Response:

Yes. The recommendation document should be made public and open to stakeholder consultation, prior to NRA approval. Ensuring stakeholders are consulted on will assist the NRA in making its decision as it will better understand the implications of WDOs on the operations of relevant network users.

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

Response:

Yes.

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:

Yes.

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

Response:

Yes.

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:

Monthly reporting of all elements that make up each day's aggregate imbalance costs and revenues (e.g. Daily Imbalance charges, Balancing Action and Within Day Charges (if any) are necessary, along with sufficient information regarding shippers' individual Balancing Neutrality Charge to enable them to reconcile neutrality invoices.

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:

Capacity holdings bear no relation to the cost of balancing the network and, therefore, are not a viable approach to attributing neutrality costs.

STASA welcomes the key aspiration of the FGs to target costs to those that cause them but we accept this is not always possible and the cost and complexity of sub-classifying costs / revenues into different 'pots' may outweigh the perceived benefits.

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:

Yes.

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

Response:

No. Addressing neutrality sums via transmission charges would not accurately target the cost of balancing the system to those users causing the imbalance and will result in cross-subsidies.

Moreover, there are a significant number of different transmission charging regimes throughout Europe, which would make it extremely costly and complex to base neutrality sums on this basis and very difficult to harmonise.

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:

STASA agrees with the proposed 3 models for information provision on offtakes. However, where WDOs apply, network users will require more frequent information, relative to the WDO, to enable them to comply with the obligations and to prevent network users from being subject to costs, which they are unable to militate against, owing to lack of information on their position. A clause to this effect in the draft Code would alleviate our concerns in this respect.

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.

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. WDOs are ineffective if network users do not have the information to respond to the within day signals.

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:

Yes.

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 but further rules should apply in the event that WDOs are in operation.

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.

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:

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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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: