

Responses to Consultation on Draft Code on Balancing

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Please note that respondents are not required to respond to all questions below.

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General remarks IFIEC Europe

IFIEC welcomes the opportunity to respond to this draft Network Code on Balancing. From the perspective of the industrial gas consumers, the rules for balancing play an essential role for the development of a barrier free internal European Gas Market. But only concrete, fair and non-discriminatory rules can provide the right basis for Europe as a manufacturing base for the industry.

At this stage of the consultation process, ENTSOG provided two documents, i.e. a draft of the Network Code on Balancing and a Supporting Document.

In IFIECs view, the draft Network Code on Balancing is insufficiently compliant with the Framework Guidelines with respect to the objectives 'being market based' and 'enabling network users to trade gas efficiently'; and the criteria 'fairness', 'cross-subsidisation', 'non-discrimination' and 'cost reflectivity'. The draft Network Code on Balancing is written at a very general level, giving room for Member States and its respective NRA's for their own interpretation, where the intention of the Third Package process with Framework Guidelines and Network Codes is to create an internal European gas market through harmonisation.

The supporting document delivers advanced proposals and more concrete rules, brought forward by stakeholders during an extensive stakeholder joint workshop program. ENTSOG has clearly stated that the supporting document is not part of the Balancing Network Code to be delivered to ACER in November 2012. Nearly all discussion results of the stakeholder joint workshop sessions are inside the supporting document. From a legal perspective, IFIEC can only conclude that the contributing efforts and inputs made to the workshop program, as reflected in the supporting document, has not led to any results. It is also clear that ENTSOG has not provided any detailed explanation as to the decisions it has made following the lengthy discussions in the workshops. The lack of transparency in this respect leads to a situation where stakeholders such as IFIEC are disappointed about the process and its results, as any valuation of their contributing efforts and input is lacking.

IFIEC is perplexed as to the purpose of the workshop session, especially when the outcomes of the discussions are essentially "frozen" in the supporting document. IFIEC is aware of the fact that proposed rules inside the supporting document maybe too detailed for a European harmonised Network Code, but at the current stage the draft Network Code is too general, especially when it comes to fair cost allocation. IFIEC strongly suggests removing those uncertainties by inserting some safeguarding principles into the Network Code. These principles are needed in the following areas:

- Liquidity
- Daily imbalance prices
- Within day obligations
- Information provision
- Neutrality mechanism

Liquidity

Liquidity of the day-ahead and intraday market is crucial for a market based balancing system. Hence, products should be harmonised in order to incentivise market liquidity. Balancing gas should be traded in MWh, where physical limitations and hence related products (locational market products, temporal products, and the combination) should be minimised. There must be a clear merit order for the TSO to use short term standardised products first in order to foster market liquidity.

In many balancing regions across Europe, key problem is the widespread use of costly long term contracts for flexible gas.

Daily Imbalance Prices

The mechanism the daily imbalance prices are derived to allocate systems costs plays a key role, when cost should be allocated discrimination free IFIEC agrees that the daily imbalance costs should be allocated based on the system usage and prevent system arbitrage. In the draft proposal this goal has not yet been reached. Depending on the sourcing conditions for balancing energy the TSO trades could lead to high asymmetric daily imbalance prices. High asymmetric imbalance prices penalize small portfolios, since these don't have the portfolio effect of the big incumbents. Due to their huge portfolios,

the incumbents are in a position to frustrate market development with all-in products (Commodity, flexibility, risk mitigation) they offer, which enables them to offer gas to industrial consumers with lower (balancing) costs and lower risks, compared to a situation in which the consumer is willing to source the gas and flexibility on his own. This might be beneficial for the consumer on the short term but will prevent the market to develop in such a way that efficient costs are the outcome. In order to solve this issue, IFIEC suggests just settling the daily imbalance price on the weighted average price off all trades leading to a symmetric unbalance price system (one price system). If a country implements a one price system for daily balancing prices with small adjustment being almost zero, an additional balancing incentive could be introduced via an ex-post price generation with prices set depending on the system status.

Within Day Obligations

IFIEC believes that Within Day Obligations can be required to maintain the systems integrity on the basis of optionality as an incentive rule. The Framework Guidelines state the objective for the NCBAL to have objective criteria that are market based while reflecting the resources available to the TSO. IFIEC however introduced the term Within Day Instruments to incentivise network users for instance to follow their profile during the day as adequate as possible if this helps the TSO to maintain the systems integrity AND to lower the TSOs costs as much as possible. Where the FG (ACER) and NCBAL (ENTSO-G) are focused on situations where the TSO needs to take balancing actions, the focus of IFIEC is to provide Network users incentives upfront for appropriate balancing actions during the day. For example Network users that are voluntary choosing for settling during the day, the end of day settlement costs should be no more than a small portion of the within day costs. ENTSOG decided that the 'helper concept', for instance in delivering 'assistance gas' is excluded from this draft of the NCBAL.

However, the Framework Guidelines are clear stating that cross subsidisation is not allowed. In order to avoid cross-subsidisation, there should be a clear distinction between certain groups of gas consumers: Intra-daily metered (IDM: near real time or hourly), daily metered (DM) and non-daily

metered (NDM), because in their daily offtake profile, they have typical demand differing from a flat to a more profiled offtake. Loads of frequently metered customers (IDM & DM) summed up, reveal a relatively smooth and flat profile. The reason lies in the statistical overlapping of the individual profiles. The shapes of the individual profiles equalize each other. This portfolio profile leads to a constant and uniform use of the linepack with low costs as a result.

In the case of a pure daily balancing system without any within-day-obligations or –incentives, all costs, especially the intraday-costs, will be smeared among all network users. Therefore IFIEC and CEFIC are in favour of a hybrid system, in which network users who are able and willing to contribute to balancing the system must be stimulated. Those end-users who are contributing to balance the system and helping to reduce the role of the TSO's, have to be rewarded for example with – among other things - a symmetric unbalance price system (one price system), and may not be exposed and settled by the unbalance costs of other network users like the non-daily metered customers. IFIEC and CEFIC will strongly oppose cross-subsidization and socialization of unbalancing costs.

Information Provision

In close relation to Withiny Day Obligations (WDO) are the needed Information Provisions for the network users to comply with the WDOs. Sufficient and reliable information (transparency) is crucial in a market based system. In IFIECs view, near real time information should be available where possible and relevant. IDM and DM should be optimised and their information should be made available at the highest possible frequency, NDM should be limited to small end-consumers. The relevance of this aspect is to avoid cross subsidisation, i.e. between flat profiles and profiles that are not flat and/or difficult to predict, for instance due to weather development. The Network Code Balancing should also take into account that network users which already invested in better information systems could help to reduce the balancing role of the TSO even more. This information could also be used in combination with the system balance signal in order to safeguard the 'causer pay principle'.

Neutrality Mechanism

Only a fair calibrated neutrality mechanism can guarantee that there will be no cross subsidisations. As stated by many stakeholders in the stakeholder joint workshop sessions the profile and the forecast quality of Non Daily Metered Customers can lead to high costs for the balancing system. The current proposal even provides - with Variant 2 - an option where all NDMs are taken out of the daily balancing system. The Neutrality Mechanism needs to safeguard that the cost are allocated to those customer groups, who are responsible. At the moment these safeguards are missing.

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:

IFIEC is convinced that a Virtual Trading Point is an essential condition for market based balancing. It is crucial that the physical and contractual realities are being separated. Network users should be able to trade gas efficiently between trading points and hence borders, where it is the TSOs primary duty and responsibility to deal effectively and efficiently with any physical issues concerning the networks that give access to the market.

Question 2 – in the context of the proposed Trade Notification and Allocation scheme, does the Draft Code provide sufficient harmonisation within? If not, what would be the preferred basis for any additional harmonisation?

Response:

Yes, the Draft Code does provide sufficient harmonisation.

CHAPTER III. CROSS-BORDER COOPERATION

Question 3 - Do you agree that ENTSG 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:

A two years period is too long. A review of the progress should take place within ultimately one year, and even shorter if Network users or other stakeholders bring forward specific issues between balancing regions or with regard to the systems operations, for instance, if costs and efforts to provide forecasts at appropriate levels in the absence of information being metered is not efficient.

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:

What IFIEC misses in Article 11 draft NCBAL is any involvement of ACER. ENTSG is the organisation of European gas TSOs and from that perspective ENTSG has a specific interest. For Network users it is essential that any reviews concerning the operations of the FG and NC are being supervised and judged by an independent organisation.

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, IFIEC strongly supports, that it should be allowed for TSOs to trade in adjacent market. The example from NetConnect Germany illustrates that balancing cost could be lowered significantly. However, there might be situations, in which the TSO and market participants apply for the same cross border capacity. In this situations it must be ensured, that the interests of the market participants will be favoured.

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 (Article 12,4b.):

Economic and efficient, means that TSO should minimise the balancing costs via using the linepack at first and secondly buying lowest cost balancing gas.

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:

IFIEC believes that liquidity of a market is crucial for a market based system. Hence, products should be harmonised in order to incentivise market liquidity. Balancing gas should be traded in MWh, where physical limitations and hence related products (locational market products, temporal products, and the combination) should be minimised.

In many balancing regions across Europe, key problem is the widespread use of long term contracts for flexible gas. The TSOs should foster liquidity of the short term wholesale market by being a party on that market and in case restricted to this market, its prices are more efficient (market reflective). No balancing service in case Short Term Standardised Products (STSP) are able to keep the system within the operational envelope.

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:

No, the NCBAL should describe exchanged based trading. When possible the TSO should prefer exchanges based trading.

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 (Article 15):

No 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:

No 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:

No 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:

Is the merit order in Article 13 meant here? In that case:

IFIEC believes that liquidity of a market is crucial for a market based system. Hence, products should be harmonised in order to incentivise market liquidity. Balancing gas should be traded in MWh, where physical limitations and hence related products (locational market products, temporal products, and the combination) should be minimised.

In IFIECs view the TSO must be strongly obliged to balance the network with title market products on a short term basis

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:

No response.

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 (Article 17 NCBAL):

Article 17.1 states the NRA ‘may incentivise’; article 17.2 states the TSO ‘may submit’. The question states ‘that the TSO shall be enabled’.

IFIEC supports the incentive concept, but the involvement of stakeholders is totally missing here. Any incentive scheme should be publicly consulted before. Furthermore additional incentives mechanisms for TSOs should be foreseen in the NCBAL. An incentive mechanism for information provisions and an incentive scheme for TSOs where Variant 2 is applied. Since Variant 2 leads to a balancing system, where all NDM-Imbalances are taken out of the daily balancing regime the quality of the TSO prognosis is crucial for the overall system costs. If there are no incentives the forecast quality will remain poor.

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:

No response.

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:

No response.

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:

No response.

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:

No response.

CHAPTER VI. DAILY IMBALANCE CHARGES

Question 19 a) - Do you support the method how the daily imbalance charges are derived?
(Question inserted by IFIEC)

Response:

No, IFIEC thinks that the network code misses some big opportunity here. IFIEC strongly favours a one price system only based on the on the Weighted Average Price of gas traded in respect of that Gas Day. The TSO trades should not be used to determine the marginal buy and marginal sell price, since this could lead to high price differences between the two prices. High price differences discriminate and penalise smaller balancing portfolios, since they do not have the merge effects like the portfolios of the incumbents.

If a small adjustment will be applied in order to set incentives to balance the portfolio at the wholesale market and not over the balancing system, the small adjustment should be very limited. IFIEC suggest that the double of the transaction costs of the wholesale market of the specific balancing zone could be applied as a maximum limit.

If a country implements a one price system for daily balancing prices with small adjustment being almost zero, an additional balancing incentive could be introduced via an ex-post price generation with prices set depending on the system status

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:

The draft NCBAL is mainly based on two principles.

1. The Network Users shall take primary responsibility through the performance of Balancing Activities to balance their Portfolios in order to minimise the need for TSOs to undertake Balancing Actions through the balancing mechanisms defined under the present Network Code.
2. The balancing regime shall reflect genuine system needs, taking into account the resources available to TSOs and appropriately incentive Network Users to balance their Portfolios efficiently.

Both principles must lead to a network code, where users who are willing to help to reduce the role of the TSO must be rewarded. The European Industry is willing to provide this help. A lot of the balancing actions of a TSO are executed within day. In order to help the TSO the Network User who are willing to help need Daily Imbalance Quantities being derived on information based during the Gas Day. Therefore it is crucial to have intraday information.

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, IFIEC supports the current approach in the NCBA, where Locational and Temporal market products are excluded. Feeding them into the derivation of the weighted average price will lead to wrong market signals.

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:

As stated before, IFIEC just supports to use the weighted average price as the basis for the marginal sell and marginal buy price. In general IFIEC is open to include day ahead trades, if these could help to source the needed balancing energy more cost efficient.

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:

IFIEC is in favour of maximum transparency. The argument of 'commercial sensitive information' too often is abused.

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 (Article 26.4):

The higher the asymmetric balancing price difference due to the adjustment or due to the price difference of the TSO balancing efforts, the more small portfolios are discriminated. Therefore the small adjustment must indeed be small and the additional incorporation of TSO price differences have to be eliminated if asymmetric prices for example based on a small adjustment will be applied in order to set incentives to balance the portfolio at the wholesale market and not over the balancing system, the small adjustment should be very limited. IFIEC suggest that the double of the transaction costs of the wholesale market of the specific balancing zone could be applied as the maximum limit of the price difference between the balancing prices for the customers. If a country implements a one price system for daily balancing prices with small adjustment being almost zero, an additional balancing incentive could be introduced via an ex-post price generation with prices set depending on the system status

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:

The criteria in the NCBAL could be amended the following way

The Small Adjustment shall:

- a) incentivise Network Users to balance their Inputs and Off-takes at the liquid wholesale market;
- b) ...
- c) ...
- d) Should not be higher than the double of the transaction costs of the wholesale market of the specific balancing zone.

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 (Article 33.1 NCBAL):

See also IFIECs general remarks on WDO.

In addition IFIEC would like to state to be happy with the 'shall' statements, however, the question is whether the criteria ('undue barriers', 'sufficiently accurate information', 'main costs', 'reflective of the costs') are hard enough for law enforcement. THE NCBAL must at least safeguard that those network users, who are helping to reduce the role of the TSO, by choosing to have WDOs must be financially rewarded. Especially the following Criterion could be problematic.

c) the main costs to be incurred by the Network Users in relation to their balancing obligations shall relate to their position at the end of the Gas Day .

A network user choosing to take WDOs and therefore helping the TSO could be rewarded in several ways. With this criterion it will hardly be possible to link the financial reward directly to the within day actions of the network user. In addition the criterion is linked to costs, which is somehow strange, since WDO are lowering the overall system costs. In that sense mentioned criterion should not be included in the NCBAL. Instead the following criterion should be added.

Network Users who are voluntarily choosing to have WDO to help to reduce the role of the TSO will be financially rewarded. Any remaining within day costs are allocated to those network users without WDOs.

The same argumentation could be used for criterion

d) to the extent possible, Within Day Charges shall be reflective of the costs of the TSO for the undertaking of any associated Balancing Actions;

The underlying assumption is wrong, as before. WDOs are not causing balancing costs, WDOs help to lower the overall system costs and therefore network users who are able and willing must be incentivised with rewards.

If the NCBAL chooses to keep the criteria as they are, with a system based on payments, the rewards must be integrated in the neutrality mechanism.

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

Response:

Any WPOG suggestions additional to our general statements?

IFIEC would like to propose the following criterion:

Network Users who are voluntarily choosing to have WDO to help to reduce the role of the TSO will be financially rewarded. Any remaining within day costs are allocated to those network users without 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 (Article 33-35):

In addition it would be very helpful to integrate ACER here at the very beginning. Since WDOs are one of the components, which could have a big impact on cross border trade, ACER should approve the WDOs together with the 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:

IFIEC thinks that a six month period is practical and acceptable

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:

IFIEC thinks that a six month period is practical and acceptable

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:

From IFIECs experience the neutrality section is very general and leaves a lot of interpretation room for the NRAs. This is unacceptable since the neutrality section decides which costs are allocated to the different network users groups. In addition the NCBAL contains a variant for NDM-Customers, Variant 2, which takes the whole NDM-portfolio out of the daily balancing equation. All costs generated by NDMs will end up in the neutrality pot.

Therefore, at first, the neutrality section must distinguish, if variant 2 will be or is applied in a country. If Variant 2 is applied, a separate neutrality pot for NDMs must be established (as

suggested by Kees Bouwens in the stakeholder workshop on the 9th of May). Otherwise heavy cross subsidisation will be a programmed outcome. IFIEC proposes to add the following to the neutrality section.

In balancing zones, where variant 2 is applied, a separate neutrality pot for all costs generated NDMs must be established.

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

The transparency must be as high as possible. Again, where Variant 2 is applied, the accuracy of the load profiles are a crucial factor for the overall system costs. The relevant DSOs must be obliged to publish the results of their forecast benchmarked against the real consumption.

In general, if there are different user groups or cost elements, transparency for every item is needed to allocate the costs in a non discriminatory manner.

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.

See answer to question 31

Question 33 – Do you agree that there would be potential benefits of attributing Balancing Neutrality Charges to different pots and of recovering them over different classes of network users? If yes, please explain why.

Yes, definitely! In IFIECs view different pots are the only safeguard to prevent unintended cross subsidisations. Especially where variant 2 is applied. Different user groups have different balancing need and forecast abilities. This has been acknowledged by ENTSOG by pushing the possibility of WDOs into the NCBAL. At the moment there is a missing link in the draft of the network code. WDOs are not even mentioned in the neutrality section, but for example in the supporting document. IFIECs basic principle, that network users, who are choosing to help the system must be rewarded, needs to be integrates in the neutrality section, which means that they only pay those costs, they are responsible for.

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

If Variant 2 is applied, additionally a separate neutrality pot for NDMs needs to be established first. At the end of each gas day the balancing system operator needs to allocate the amount of balancing energy which was bought or sold to the NDMs. The deviations are calculated on the basis of the city gate meterings.

A Neutrality Pot for users without Within Day Obligations is needed.

User who help the system by choosing Within Day Obligations do not have to pay into a neutrality pot, since they already paid for their system usage. By helping the system intraday, they are not

responsible for any other intraday costs. For their imbalances over the day they pay the system orientated Marginal identical buy or sell price (One price system).

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:
No answer.

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 answer.

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:
Certainly not. Variant 2 is heavily contradicts the general principles of article 7, where the Network Users shall take primary responsibility through the performance of Balancing Activities to balance their Portfolios in order to minimise the need for TSOs to undertake Balancing Actions through the balancing mechanisms defined under the present Network Code. In Variant 2 the network user has, by definition, no daily imbalance. How could the user take primary responsibility, if the real imbalances have to be balanced by the TSO in the background? IFIEC wonders, how article 7 and variant 2 could coexist is one in one Network Code.
Even when the real Imbalances are cashed out after the NDM metering period. The network code stays silent about the cash out price, which is used. It is just out of scope.
Variant 2 also could have a big impact on the market liquidity. While in the base case and variant 1 the individual network users trade their imbalances at the wholesale market, variant 2 leads to a system where just the TSO is trader of the NDM imbalances.
IFIEC suggest to delete variant 2 out of the network code.
If variant 2 is applied is must be safeguarded by a neutrality pot just for NDMs.

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:
In the Network Code there is no consultation foreseen in country already applying variant 2, This is highly discriminating and not in the sense of a well balanced European regulation.

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.

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:

Sufficient and reliable information (transparency) is crucial in a market based system. In IFIECs view, near real time information should be available where possible, efficient and relevant. IDM and DM should be optimised and their information should be made available at the highest possible frequency, NDM should be limited to small end-consumers (households, small SME's).

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:

IFIEC understands the dilemma ENTSG is facing (27 MS with very different levels of available information). However, as we stated elsewhere, just creating a minimum is not enough. There should be incentives for optimising transparency.

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

Response:

In the general comments we stated the following: sufficient and reliable information (transparency) is crucial in a market based system. In IFIECs view, near real time information should be available where possible, efficient and relevant. IDM and DM should be optimised and their information should be made available at the highest possible frequency, NDM should be limited to small end-consumers and the balancing costs which have their origin in the non metering have to be calculated and have to be paid by this group (households, small SME's). The relevance of this aspect:

- avoid cross-subsidisation, i.e. between flat profiles and profiles that are not flat and/or difficult to predict, for instance due to weather development;
- avoid discrimination, where a distinctive group of Network-users is treated differently with IDM, DM and NDM;
- Another aspect is the accuracy of the system balance signal and the TSOs operational- and cost-efficiency. Network Users need to know where the system is in order to be able to take appropriate and efficient portfolio balancing actions, hence, safeguarding the 'causer pay principle'.

Conclusion: not in line!

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:

No response.

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:

No 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:

No 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:

No 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:

No 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:

No 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:

No 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:

No 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:

No 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:

No response.

Question 53 – Are there any other interim steps that should be considered beyond those envisaged in the table above?

Response:

No 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:

No 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	See answers to specific chapter.
CHAPTER II. BALANCING SYSTEM	See answers to specific chapter.
CHAPTER III. CROSS-BORDER COOPERATION	See answers to specific chapter.
CHAPTER IV. OPERATIONAL BALANCING	See answers to specific chapter.
CHAPTER V. NOMINATIONS	See answers to specific chapter.
CHAPTER VI. DAILY IMBALANCE CHARGES	See answers to specific chapter.
CHAPTER VII. WITHIN-DAY OBLIGATIONS	See answers to specific chapter.
CHAPTER VIII. NEUTRALITY ARRANGEMENTS	See answers to specific chapter.
CHAPTER IX. INFORMATION PROVISION OBLIGATIONS	See answers to specific chapter.
CHAPTER X. LINEPACK FLEXIBILITY SERVICE	See answers to specific chapter.
CHAPTER XI. IMPLEMENTATION, INTERIM MEASURES AND ENTRY INTO FORCE	See answers to specific chapter.

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 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:

No response.

