

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

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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. Establishing a Virtual Trading Point within each Balancing Zone via the inclusion of the Trade Notification and Allocation scheme in the Balancing Network Code underpins the concept of an entry/exit system and is a vital step towards encouraging competition and liquidity.

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. For completeness however, Trade Notification could be included as a defined term.

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.

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.

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: The code should neither exclude nor promote cross-border TSO balancing. Cross-border TSO balancing is currently mentioned as one possible option which could be included in a TSO's proposals for integrating its entry/exit system with that of an adjacent TSO, and should be considered in that context.

It should not be considered as an option which TSOs routinely use to procure gas in an adjacent market because it is cheaper than gas available in its own market. This would involve TSOs acquiring capacity, possibly on preferential terms to that available to shippers, and would negatively impact competition and liquidity in its own market, the overall effects of which are likely to negate any short term cost benefits.

We suggest deleting Article 10.8. rather than trying to define specific circumstances when cross-border TSO balancing should be allowed. To the extent it is relevant to the TSO's proposals to integrate its entry/exit system, this will need to be properly justified and consulted upon as part of these proposals. If accepted by the NRA we are not aware of anything else in the Balancing Code which would prevent it being applied.

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: Yes. Using this general expression should ensure that the costs of a TSO's Balancing Actions are assessed not only on whether it has accepted the lowest prices available but also on whether it has achieved the wider objectives of securing competition and providing the necessary incentives on shippers to balance their positions.

For example, in immature markets using long term Balancing Services instead of Short Term Standardised Products may well be cheaper, but over reliance on Balancing Services will discourage shippers in placing bids/offers on the trading platform and so it will take longer to develop liquidity in Short Term Standardised Products.

TSOs are accountable to NRAs for the cost of their Balancing Actions and will have to demonstrate that these have been undertaken on a non-discriminatory basis, and are economic and efficient. Nevertheless, it is essential that TSOs provide maximum transparency about their Balancing Actions and why they chose to use a Balancing Service instead of a Short Term Standardised Product. This will better inform shippers about how to structure their bids/offers and enable them also to judge whether these requirements are being met.

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: Yes. This should help concentrate liquidity in these products, although Temporal Products (particularly Temporal Market Products) will only be necessary, or effective, when within day

obligations or variant t 1 of the information provisions apply. To the extent a TSO requires products over and above the defined Short Term Standardised Products to balance its system, Article 5.1 allows for these to be introduced on a national level.

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: Yes. Nevertheless, we think the Code should require TSOs to operate on just one pre-defined Trading Platform, except to the extent a Balancing Platform is also necessary to ensure the TSO has access to the full range of Short Term Standardised Products. This will simplify the provision of within day imbalance price reporting and ensures clarity and transparency over where TSOs will take balancing actions for all market participants.

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: Broadly yes as we think these are best left to national determination in order that they may reflect local market circumstances. However, we think the Network Code should make it clearer that all Network Users are entitled to post bids and offers on the Trading Platform and that there shall be no restriction on the class of entry or exit point at which Locational Market Products and Temporal Locational Market Products can be provided. The products traded at the virtual point should enable as many market participants as possible to bid/offer on the trading platform. The minimum bid size should be set such that small market participants are able to participate. This would ensure that power generators and gas fired power stations are able to load switch and offer effective demand side response to the gas market, which is not always the case currently.

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. Network users should have primary responsibility for balancing the system, with TSOs having only a residual balancing role.

Question 11 – Do you agree with the choices in the Draft Code to put the obligation to (re)nominate on the Originating Party? If not, what would your preferred alternative be and what benefits would this alternative have over the mechanism proposed in the Draft Code?

Response: Yes. In general we think TSOs should only accept bids/offers rather than post them themselves. Therefore, the TSO should never be the Originating Party and so only shippers would be obliged to renominate.

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: Yes. Temporal and Locational Products may be appropriate in some systems and circumstances (e.g. constraints). However, they should only be used where title products are not available, or where the price signals set by Title Trades are not sufficient to ensure the system remains within its safe operational envelope.

The merit order should also promote TSOs to use Short Term Standardised Products within day, rather than day ahead or weekend, as this will encourage within day liquidity and should prevent TSOs taking balancing actions which may subsequently be found not to have been necessary.

The text used to describe the merit order should be made less vague and more specific by, for example, replacing “shall seek to” with “shall” and deleting “consider”.

TSOs should aim to take balancing actions at the lowest costs, which is likely to be through the use of Title Trades. Locational and Temporal Trades should be avoided as far as possible as these will typically be offered by fewer market participants.

Whilst the merit order should not be binding in every eventuality, Balancing Services should only be used in extremis and TSOs should be required to justify why they have breached the merit order and used Balancing Services instead of Short Term Standardised Products.

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: It is not clear whether these criteria apply to the procurement of Balancing Services, or the use of a previously procured Balancing Service in preference to a Short Term Standardised Product, or both. Lack of liquidity and the cost of balancing could be seen as a single criterion, as a high cost could be the consequence of the lack of liquidity. Also, some of the criteria described may be related to the need to use Locational or Temporal Products.

As previously stated, cost should not be the only reason for preferring a Balancing Service to a Short Term Standardised Product. Accepting higher priced Short Term Standardised Products will demonstrate the TSOs commitment to use these products and encourage other shippers to offer.

In general terms, Balancing Services shall be used to manage those situations in which trading of short term products is not sufficient to guarantee the balancing of the system.

As regards the gradual reduction of Balancing Services as the liquidity of the wholesale market

increases, this is to be welcomed. However, the draft Code does not specifically say this and refers instead to the TSO reviewing its use of Balancing Services each year to assess whether Short Term Standardised Products would better meet its requirements for the next year. Whilst it is hoped such reviews will lead to a gradual reduction of Balancing Services, the Code should specifically reference the need for a gradual reduction linked to increases in wholesale market liquidity. Along with details of the Balancing Services procured and the related costs incurred, TSOs should also publish their justification for the quantities of Balancing Services procured.

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: Whilst we agree there are likely to be benefits arising from an incentive mechanism we are not entirely convinced this should always be designed by the TSO. We would prefer instead if the Code were to state that NRA's may request TSOs to submit an incentive mechanism for their approval or, if not, introduce one themselves. Regardless of the option chosen, the incentive mechanism should also be consulted upon.

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: Generally yes. However, one of the criteria listed for a TSO rejecting or partially accepting a nomination or renomination is a physical constraint. Physical constraints should only be a criteria for rejecting or partially accepting nominations/renominations to the extent they are due to a pre-declared force majeure event or an emergency situation, otherwise the value of firm capacity will be undermined. TSOs shall in all other cases be required to take Locational Balancing Actions or to interrupt Interruptible Capacity to resolve constraints.

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. Whilst we recognise that the Code cannot apply at non-Interconnection Points and Interconnection Points with third countries, the fact that these supply sources might adopt different nomination timescales will lead to operational inefficiency.

As such we think that TSOs (and possibly NRAs) should also be subject to a reasonable endeavours obligation to harmonise this nomination timescale across all national entry points. This may help to encourage the development of equivalent procedures at such other points in order not to potentially disadvantage those users acquiring gas from other supply sources or importing gas from

third countries.

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. However, it may not be necessary to include a rule in the Code which prevents renominations being made prior to the Confirmation Deadline. Renominations prior to this time are currently allowed in some systems but processed immediately afterwards.

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: We support the possibility for some systems to introduce transitional measures in order to move towards the target of day ahead nomination and continuous renominations throughout the day. Concentrating nomination/renomination in specific temporal windows could help to stimulate liquidity in these distinct periods, at least during the early period of implementation of the new balancing regime.

Transition should take into account the cost and organisational impacts on shippers (particularly small players) of moving to a 24/7 balancing regime. However, at present this transition period is unlimited and so it should, at least, be linked to the timescale applicable for other interim measures.

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: Yes, although the basis on which a TSO calculates the Daily Imbalance Quantity should be transparent.

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: We do not think Locational or Temporal Products should feed into the derivation of Weighted Average Price in the same way as they do not feed into the Marginal Sell/Buy Price.

Question 21 – Do you agree that day-ahead trades should feed into the determination of the Weighted Average Price, Marginal Buy Price and Marginal Sell Price? If so, then under what circumstances should they be used? Is there merit in allowing local discretion as to whether day-ahead trades influence the setting of the prices?

Response: We agree that day ahead (and weekend) trades should feed into the Weighted Average Price. There may be a case for excluding them from the Marginal Buy/Sell Price so that these exclusively reflect the cost of any TSO within-day Balancing Actions necessary. However, in mature balancing regimes with liquid within day markets the use of day ahead (and weekend) Balancing Actions should be very low and so this may not be a prime consideration.

We do not see any merit in allowing local discretion as the objective should be to achieve the maximum possible level of harmonisation in the definition of imbalance charges.

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: Yes. We believe a single platform would have merit as it will be clear to all market participants where the TSO takes Balancing Actions and provide transparency and integrity over imbalance price setting. It will also simplify the process of real time imbalance price determination and allow standard terms and conditions and credit arrangements to develop around that platform.

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 have both effects, meaning it should be wide enough to encourage trading by discouraging shippers to be imbalanced, but it should also reflect the value of alternative sources of flexibility. In systems where it will be fixed as an absolute value, it should be defined as a proxy of alternative flexibility sources: for example, if it is set too low compared to the cost of alternative sources of flexibility (such as storage), there will be no incentive for the user to balance its own portfolio on the market. In general, we think that it is correct leaving the responsibility to define the small adjustment at a national level, as its setting and subsequent evolution may be related to many characteristics of the national market/system.

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 on cross-border trade seems a reasonable criterion to be added, particularly as integration of balancing zones is one of the medium-term objectives to complete the single market. We also think the criteria are sufficient.

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 the criteria should, if strictly observed, ensure TSOs only introduce Within Day Obligations which shippers are able to comply with and which do not distort the market.

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

Response: No. However, as stated at the last Madrid Forum, we believe there is a need for further guidance about the prerequisites that have to be put in place for certain types of within day obligation to meet the criteria laid down in the Framework Guidelines, e.g. not to act as undue barriers to cross-border trade or market entry, not to undermine the principle of a daily balancing regime and not to apply unless sufficient information is provided to comply with them. Ideally we would like such guidance to be provided as an annex to the Code. If this is not possible however, ENTSG should consider issuing a non-binding guideline accompanying the Code in which they expand on how these criteria might be interpreted, and make a provisional assessment of the existing within day obligations that currently exist throughout the EU against these criteria.

This would assist TSOs and NRAs who may need to consider introducing Within Day Obligations in the future. It should also help reduce the potential for a proliferation of various different types of within day obligations being applied in future, as ENTSG have decided not to specify harmonised forms of Within Day Obligation within the code itself.

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: Yes.

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.

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. Bearing in mind the complexity associated with balancing neutrality and the extent to which different types of network user may be responsible for neutrality charges being incurred, plus the differences in magnitude of neutrality charges and in aspects of the balancing regime across different Member States, we think this is best left for national determination. It is important however, for balancing costs to be fully transparent to network users and for the methodology on how to apportion neutrality charges to be fully consulted upon.

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

Response: We think the Code should be more specific, so that network users have transparency over the full costs of the balancing regime in place and can estimate the magnitude of any potential cross subsidy and double counting. Where neutrality costs are substantial, an element of predictability will be necessary such that network users can incorporate them into their on-going cost assumptions.

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: TSOs should be required to publish data showing, for each day, each element of neutrality (e.g. aggregate costs/revenues associated with TSO's balancing actions and any Balancing Services used, aggregate costs/revenues associated with end of day settlement, other costs etc.) and data pertaining to how these costs will be apportioned (e.g. system throughput). This will ensure shippers have full visibility over how their share of neutrality charges has been calculated. This will enable them to reconcile neutrality invoices, which should be submitted within in the same timeframe as invoices for Imbalance Charge

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: Doing this may require some form of assessment of shipper's imbalance positions within day, which may not be readily available in a daily balancing regime. To the extent balancing neutrality charges become material and apportioning them across all network user's risks creating undue cross subsidy, the national methodology should reflect this and attribute them to different pots based on the "causer pays" principle, to the extent this is possible and administratively efficient.

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

Response: This should be left to national determination.

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. The Code currently states TSOs shall be entitled to take necessary measures and impose relevant contractual requirements on network users to mitigate the default in payment. We believe that TSOs should be required to take such measures and impose such requirements, as if the TSO is held cost neutral throughout neutrality it will be shippers that pick up the costs of any shipper default or non-payment and so reasonable credit protection must be put in place.

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. It is important for shippers to understand the costs/revenues being generated through balancing neutrality and for these to be charged separately to transmission revenues in general.

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: Yes. The three models represent a pragmatic approach to information provision bearing in mind the requirements in the Framework Guidelines and the different forms of information provision that currently apply in Europe. Clearly it is important for network users to have information about their input and offtakes in a prompt and timely manner (particularly in case of NDM Offtakes). However, these three models will only be sufficient to the extent that within day obligations do not apply. Additional and more frequent information on the inputs/offtakes of network users, and of the system as a whole, will be necessary before within day obligations are applied. Such information will need to be provided in a timely manner to enable network users to adjust their imbalances before any within day charge is imposed.

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. Whilst contrary to the Framework Guidelines, we also think that where Variant 2 applies currently a consultation process should be held to establish whether this should continue. Variant 2 could result in the TSO incurring significant balancing costs and sterilising flexibility that could otherwise be offered to the market, in order to manage the demand profile of domestic customers within day. To the extent these costs are included in a single neutrality pot and apportioned to all shippers, this could unduly discriminate against non-domestic users (such as gas fired power stations). The requirement to consult on whether Variant 2 remains appropriate for systems where it currently applies could form part of the cost benefit analysis TSOs are required to hold after two years to establish whether more frequent information provision is necessary, as clearly these issues are inter-related.

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. Accurate and timely information is essential for shippers to balance their input and offtakes within the gas day.

Also, we think it is essential for information on intra-daily metered sites which are connected to the transmission network, and ideally the distribution network, to be provided on a site by site basis rather than on an aggregated basis as currently stated in the Code. Aggregated data will not be enough to understand which customer is, for example, changing its consumption pattern. It may be either a CCGT or an industrial customer and since they have different consumption profiles, the more accurate the information is, the more precise the balancing policy of the shipper serving these customers can be. If shippers are able to understand which sites are contributing to their overall imbalance position, they will be in a position to request them to take corrective action or to target imbalance costs through their supply agreements, the overall effect of which will lead to improved shipper balancing. As TSOs (and/or DSOs) will need to add individual site offtake data together to provide shippers with their aggregate positions, we see no legitimate reason why individual data could not be provided from the outset. Nor do we believe there will be any significant costs arising to the TSO (or DSO) of providing intra-daily metered data on a site by site basis.

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: The Code should provide guidance and we support the proposals set out. It should be clear however, that two updates per day should be considered as a minimum. Where TSO's/DSO's need to introduce new systems to provide within day information, or adapt existing processes to comply with this minimum requirements once the Code takes effect, they should not limit their assessment to two updates if providing more frequent updates can be supported for limited incremental cost.

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. It is very disappointing however, that despite the Transparency Guidelines having been legally binding for over a year now, not all TSOs have implemented them and some TSOs have chosen to interpret their implementation in a way which is contrary to that which was intended, to the overall detriment of competition and liquidity.

In accordance with Regulation 715/2009 and 1227/2011, system information should be published hourly throughout the day in aggregate form. This will allow network users to keep track of the system status, and anticipate TSO balancing actions and their price significance.

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: We believe the criteria for linepack flexibility services are sufficient. Linepack should primarily be used by the TSO to balance the system for the collective benefit of all shippers, thereby lessening the need for Within Day Obligations being applied. Only where it can be demonstrated that excess linepack exist, and the criteria in the Code can be met, should a Linepack Flexibility Service be considered.

Operators of gas fired power stations will find it increasingly difficult to predict ex-ante what their requirement for a Linepack Flexibility Service might be, bearing in mind the expected increase in intermittency of gas fired generation caused by higher levels of renewable penetration. To the extent they are required to buy such a product, the tendency may be for them to use worst case scenarios regarding intermittency to estimate their requirements, the collective effect of which could be to create a false scarcity.

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: The Short Term Wholesale Gas Market is adequately defined in the Code as a market for Short Term Standardised Products. We do not think any further account or measures need to be provided for in the Code. NRAs should be capable of assessing the competition, liquidity and efficiency of markets, and indeed do so already using a variety of indicators and metrics.

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: We agree with the introduction of measures to enable a wider access to short-term flexibility as specified in the Code, at least as initial measures to be applied in systems where liquidity is not developed enough and flexibility is generally held by incumbents. Other measures may be contemplated such as market making schemes, amending the restrictions on storage user arising from the application of Public Service Obligations and revising the priority allocation of storage to shippers serving residential customers. However, these are matters for national determination and should not be included in the Code.

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: We do not understand the question. LNG is a valuable source of flexibility and should be permanently included in all Balancing Zones regardless of size. If this is suggesting that TSOs in small markets should be allowed to procure LNG capacity to balance the system as a transitional measure, this should be assessed against the criteria for procuring Balancing Services.

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: Yes. Tolerance arrangements based on carrying imbalances over from one day to the next are contrary to the principle of daily balancing.

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: Yes. Imbalance quantities within tolerance should be cashed out at average price thus reducing shipper's exposure to marginal prices for a pre-defined quantity of gas. This is a sensible interim measure to mitigate the costs of shippers' imbalance exposures whilst markets may be illiquid, flexibility may be scarce and forecasts of input and offtake information may be infrequent or inaccurate.

Question 49 – Do you support the Draft Code including provisions for the accuracy of forecast information provision to ensure timely phase-out of tolerances? If yes, explain how this can be best established.

Response: Yes.

Question 50 – Does the Draft Code provide an appropriate mitigation of risk involved in servicing NDM demand? If not, please indicate an alternative approach and its rationale.

Response: Yes. However, we would caution against different tolerance levels being applied to different offtake categories and for separate rules being applied for the non-daily metered category. Where metering of intra-daily metered or daily metered offtakes is not currently managed efficiently, inaccuracy of data can cause significant imbalance risk for shippers. Whilst forecasting non-daily metered demand should, over time, become more accurate, intra-daily metered demand (particularly gas fired power stations) is expected to become less predictable and more volatile.

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: Yes.

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: Yes. Whilst TSOs use Balancing Platforms as the sole means for taking Balancing Actions it would be appropriate to consider these in interim cash-out price determination as they should better reflect the cost of balancing and incentivise shipper self-balancing than an administered or proxy price. Similarly, locational and temporal products may be appropriate to include in interim cash-out price determination.

However, even in developed balancing regimes, TSOs may need to retain Balancing Platforms in order to have access to Locational and Temporal Products, albeit the use of these products can be expected to diminish over time. In this case the costs of these trades should not be included in imbalance cash-out price determination as only Title Products should apply once liquid short term title markets and platforms are established.

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

Response: No

Question 54 – Are there any specific ENTSOG monitoring and reporting activities that should be explicitly captured in the Balancing Network Code. If so, please identify them and their rationale.

Response: No

GENERAL ISSUES

Question 55 – Do you consider that the level of detail in the Draft Code, as it has been tailored according to the topics treated, is appropriate for EU legislation? If not, please explain why with reference to specific topic chapters (articles, paragraphs, etc.).

In number of areas the drafting is still quite imprecise and not entirely clear. Whilst it is generally prescriptive about the role of network users it seems less prescriptive about the role of TSOs. With this in mind, ENTSOG should review the drafting to remove uncertainty and to enhance harmonisation.

CHAPTER I. GENERAL PROVISIONS

CHAPTER II. BALANCING SYSTEM

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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: No.

Question 57 – Do you find that this supporting document for the public consultation was 'respondent-friendly' in terms of its readability, style, etc.? Please explain how we can improve future consultations.

Response: The supporting document helped in explaining the policy options considered and adopted by ENTSOG and broadly reflects discussions that took place at the SJWS Workshops.

