

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 we do: it appears to be the most efficient and transparent way to allow both network users to manage their positions and TSOs to balance the residual position.

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:

We think that the Draft Code provides sufficient harmonisation for the implementation stage. However, further harmonisation should be specified in the future: we can think of the timing for trade notifications/allocations (once it is possible for all TSOs to adopt the same schedule), the format of trade notifications and the way information flows are processed.

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:

We believe that harmonization of balancing rules is profitable to the market as a whole. Besides it eases a potential integration of adjacent markets. Thus, we think that ENTSOG should study and issue the review as soon as possible after the implementation of the NC. After that, a biannually issue looks appropriate.

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:

As an interim step, TSOs could be allowed to trade in adjacent markets in order to reduce cost of balancing.

However, in a mature and efficient target model, they should not be allowed.

In fact, price differences between 2 adjacent markets between which there is some available capacity should not exist in an efficient integrated market:

- Either there is a congestion explaining the price difference and the TSO cannot book the capacity and trade in the adjacent market,
- Or some capacity is available and optimization must be done through capacity allocation management.

Besides, there might be a reverse effect on liquidity. For example at Zone TIGF in France, the TSO already struggles to find enough liquidity. A possible procurement at PEG Sud will not help zone TIGF to develop.

In such cases, when technically feasible and economically reasonable, integration of such markets should be privileged.

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, the Draft Code definition of ‘economic and efficient’ is a suitable criterion.

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, standardized products should be limited to the short-term and there should be only a few numbers of them.

We do not support Temporal products and we would prefer a combination of Title Products to get the same balance at the end of the day. We think Title Products (buy/sell until the EOD) are more liquid and easier to manage from an operational point of view.

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:

TSOs' interventions on the wholesale market should be done in a secure and transparent way with as many counterparts (balancing their positions/offering their flexibilities) as possible.

Exchange-based trading offers a risk-free, transparent and secure process from trades to allocations and payments.

But entry barriers and liquidity on the exchange differ from one market to another: the choice must be left to the discretion of the TSO and the TPO which must consider costs and efficiency.

Where Exchange-based trading does not imply additional costs, it appears as the best solution to us.

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:

We agree with the proposal of the DC: details should be agreed on a local basis with TSO, TPO and market participants.

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:

We agree with the current level of specification.

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

Response:

We agree.

Question 12 – Do you concur with the sequence of the tools in the merit order and the level of guidance it gives the TSO in choosing the most appropriate tool? If not, which changes, if any, would you advocate and why?

Response:

Yes, the TSO should use first Title Products because it is the most transparent and cost-reflective way but Locational products can be used when they lead to better efficiency (decrease the cost of balancing).

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:

To us, the only criteria to be considered by the TSO are: technical and economical optimum. It is true that the criteria listed in the NC can justify the use of Balancing Services instead of SSTP but it has to be proved either because there is a technical constraint or because cost is lower this way. For example, we are not sure that the criteria “frequency of balancing actions” would always favour the use of Balancing Services if the wholesale market is liquid enough during the TSO’s interventions.

The cost of balancing must be as much market-based as possible.

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:

The TSO may be able to submit an incentive mechanism to the NRA but its approval by the latter should be studied carefully: technical and cost efficiencies must be insured in the proposal. As these 2 criteria are not always easily measurable, a consultation on the TSO proposal should take place with all market participants. At the end, incentive mechanisms should be market-based (cost-efficiency, foster market liquidity), harmonized and compatible with mechanisms in adjacent markets.

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:

Yes, the procedures are reasonable.

However, nomination procedure (+ matching, allocations etc.) should be in a dedicated NC.

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, we agree.

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:

The 2 hour lead time for re-nominations is reasonable but must necessarily be consistent with the within day capacity auctions: an amendment will have to be made either in the CAM Network Code or in this NC.

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 concur that a transitional measure may be appropriate for TSOs: this measure and the schedule must be detailed to market participants for each TSO that needs one.

We agree with the need to harmonise nominations in case of daily hourly regimes.

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, we support the DIQ determination.

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:

As specified in question 7, we do not support Temporal Products. But if they are to be used by the TSO, their costs should be reflected in the balancing price and supported by network users which are responsible for the imbalance.

Locational Market Products must be seen as contractual mechanisms needed when congestion

appears within a balancing zone, even if this zone is balanced. So they are tools helping to have a greater balancing zone and do not necessarily reflect an imbalance: prices should not be included.

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:

In a mature balancing system, there should not be any DA trade from the TSO (except under exceptional circumstances: technical problems, forecast of a very tight system etc.). Indeed, the best forecast of the end of day imbalance is within-day. Besides, WD prices are the most representative of the balancing state of the system for a given day.

However, we can think of DA interventions as a transitional measure to implement the target model with the advantages that we know (foster the market liquidity for example). In this case, DA trades should feed into the determination of the WAP, MBP and MSP to respect the neutrality principle (all the costs incurred by the TSO must be taken into account).

We do not see why this should differ from one local place to another.

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:

We believe that, once TSO interventions are executed on a wholesale platform, only that platform should be used. It is the responsibility of network users to offer their flexibilities to the TSO on the dedicated platform in order to build a representative price of imbalance.

This principle should be the same for all markets.

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 effects of the small adjustment should be both encourage trading and reflect a value for physical flexibility. In fact, it should encourage participants with imbalanced portfolios to trade instead of staying imbalanced. And it must be sufficiently large for participants with flexibility to offer it on the market for the TSO and other participants with imbalances.

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, we should take into account the potential impact on cross-border trades. The important point is to be as harmonised as possible on the derivation principles.

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:

System integrity is the most important criterion which should enable the TSO to use WDO. We do not think that WDOs should be used as an incentive for Network Users.

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

Response:

We do not think of any additional criterion.

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, TSO should recommend and NRA should approve after consulting market participants.

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:

TSOs' answers are the most relevant to this question.

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:

NRA should consult all stakeholders. A 6 month period looks appropriate to us.

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, it is appropriate.

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:

A monthly breakdown looks sufficient to monitor the Balancing Neutrality Charges.

A cost/revenue split as a whole should be sufficient.

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:

We support the option with one pot only where all balancing costs are attributed, whatever the aim of balancing (EOD or WD). We support one rule for all users.

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:

We agree: adjustment to transmission charges looks like the easiest and least expensive process to address neutrality.

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 3 models fulfil the requirements of the FGs.

However, we would like to express here our concern about variant 2 in which the balancing risk is carried by the TSO only if day-ahead forecasts are very different from allocations (unexpected change of temperature for example). But this is a subject that should be discussed in the FGs.

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:

As expressed in the previous question, we do agree with the concern.

From the general principle that the primary responsibility for balancing is with the Network Users and that the TSO is responsible for residual balancing, Variant 2 could be irrelevant and not optimal.

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, the CBA process should consider all parameters that affect costs and benefits, meaning that if data are not delivered in a time that brings benefits, the CBA will return negative results: benefits will not justify investments. We can list: frequency, accuracy, time to deliver, format.

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, the BNC has to provide guidance on timing of information flows. Despite all technical barriers which may differ from one system to another, we must make sure that information is meaningful. Besides, harmonisation is more than needed in information flows, especially for a participant using several networks. More specific remarks: Within Day 2 for NDM/IDM is useful if published before 4pm (WD markets still liquid, remaining flexibility). Within Day 1 for IDM should contain at least 8 hours to give relevant and significant data.

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:

Transparency Guidelines requirement have already allowed great progress in transparency issues. TSOs can always improve data accuracy, frequency, processing, timing to deliver etc.

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

Response:

To us, having points where allocation = confirmed nomination is not optimal because the TSO is responsible for the residual imbalances. In that case, imbalances could be quite important.

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:

Linepack is usually the main balancing tool at the disposal of the TSO and it should remain so. With linepack and market interventions, other sources of flexibility can be freed up for market participants.

As a result, extra care must be taken to determine if offering Linepack Flexibility Services will not prevent the TSO from balancing its system at minimum cost, nor releasing other sources of flexibility to market participants. The 3 criteria in the FGs seem to cover these.

We would like to underline here the fact that the use of a Linepack Flexibility Service can be detrimental to the market-based approach: the more flexibilities network users have, the less they make efforts to balance their position on the market.

An alternative would be for the TSO to offer its extra linepack flexibility on the market for example.

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 balancing market should be the WD market.

Temporal and physical products could be introduced if needed but not until the WD market is liquid.

We agree with the indicators used to assess liquidity but a spread bid/ask of less than 2% is more representative of a liquid market to us.

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:

Yes, we agree.

We would like to insist that a tolerance is meant to exist only as long as network users are unable to manage their exposures (not access to flexible gas, a lack of information).

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, as long as the network users cannot manage their exposures, they should not be financially penalised. Thus a market price should be used to cashout imbalances.

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, see question 47.

It should be subject to consultations with network users to define to what extent the improvement in information accuracy/frequency allows participants to better manage their position.

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, the NDM Forecast Deviation Adjustment looks appropriate.

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, we agree.

Question 52 – Do you agree that there is merit in including a reference to Balancing Platform trades in the interim imbalance cash-out price determination part, as suggested in the Draft Code? If yes, how should the approach be formulated and what merits would it have?

Response:

Yes, we think there is merit in doing so. One solution is to set the cashout price equal to the TSO's interventions on the Balancing Platform +/- incentives. It would have the merits to foster liquidity on the market during the interim period, get participants used to the balancing system, offer a price signal to optimise flexibilities etc.

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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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:

Yes, it was very helpful to remind us FGs and NCs parts before answering related questions.