

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 concur. We can't see a market functioning at all. The visible alternative of bilateral trades at entry / exit points is tedious and cumbersome without adding any advantage, e.g. market transparency.

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: If 'harmonisation' refers to a strong dependence of allocations on nominations and specifically the equality of quantities nominated and allocated, we strongly agree, on grounds of (a) nominating parties actually needing the nominated quantities without deviation, (b) any deviation actually arising in practice after allocation needing to be visible and be charged for as an imbalance.

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: The review of the progress of harmonisation of balancing rules is a process very helpful to all the market stakeholders, especially if they participate in it. As a result, we agree on the review process and consider its timescale sufficient enough. Harmonisation of balancing rules apart from regulatory issues should also focus on harmonisation of cross-border quality standards regarding balancing gas.

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: The proposed process and especially the public issue of a report, containing the conclusion of the assessment as well as recommendations or further measures needed to be taken, will enhance the scope of rules harmonisation.

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: Specific circumstances under which the TSOs are allowed to trade in adjacent markets should be very clear (for instance in case of emergency) and ensure that capacity won’t be unnecessarily withheld from Users or that Users are thus not discouraged to balance their positions themselves through their own cross-border trades. It seems better to encourage User cross-border trading in place of TSO cross-border trading.

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: On the ground that the TSOs are obliged to take balancing actions not only at the minimum cost (using market-based balancing) but also efficiently (flexibly) in accordance with the specific market’s circumstances (fostering its competition level, enhancing the participation of more suppliers to the market), the expression ‘economic and efficient’ is suitable.

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:

- (1) Yes, we agree, since short-term products match the short-term nature of balancing actions.
- (2) We favour a small number of STSPs in order to avoid excessive complication of an otherwise very short-term and therefore straightforward activity, like balancing.

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: On the ground that exchange-based trading for the TSO has benefits (anonymous and more reliable trading) but at certain cost (subscription and/or transaction fees), it is better to leave the choice to the market, in accordance with its maturity and liquidity level and aiming to avoid additional costs.

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: The proposed level of services to be provided by a Trading Platform seems to fulfil the minimum requirements deriving from the FGs and the market operation and befits this first stage of the Draft Code application.

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: The contractual structure and arrangements specified in the Draft Code seem sufficient.

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 understand that the obvious alternative would be the TPO. In this line, we favour the Originating Party because this Party is the expediting party with the strongest vested interest in a successful outcome.

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: As far as the basis of the various types of balancing actions is cost efficiency of the system as well as the easy access of the TSO to market-based and useful tools for balancing, the subject merit order is appropriate. A clearer priority rule may be considered.

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: The criteria are considered sufficient, having regarded that they mainly should be based on cost-efficiency. As market liquidity increases gradually, the TSO is able to find short-term products to keep the system in balance, so the use of Balancing Services may be reduced accordingly.

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: If such a mechanism is going to be subject of a consultation with the users of the system and approved by the NRA, the provision is appropriate.

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: In general, the nominations procedure is reasonable. As far as the criteria for their rejection, the TSO's right to intervene and reject a user's nomination (or re-nomination) could be enacted only if there is an emergency situation in the system. In markets with very low liquidity, further elaboration on the TSO's tools for keeping the system in balance may be needed.

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: The proposed schedule for the initial day-ahead nominations seems to be in line with FGs and other Codes' (CAM NC) provisions.

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 same answer to the Q.16 above.

Question 18 – What are your initial views on these specific features on nominations (respectively re-nominations) for transition, system integrity and daily-hourly regimes of the network code? Please provide a reasoned response.

Response: The provision of transition measures is reasonable. It could further be provided the maximum duration of the transition period.

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.

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: On account of differing liquidity of the different STSPs in each market, we propose inclusion of all such products on a weighted average basis, weighting factors being the proportion of

each STSP in the total Balancing Actions volume (or count) over a reference period.

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: Because within-day prices should reflect mostly cost of the needed balancing actions, it is theoretically considered more appropriate that Marginal Price takes into account the within-day trades only. However, in certain markets price stability that derives from the day-ahead option may be essential, too. The right option may be chosen in accordance with the special characteristics of each market.

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: A single platform (trading or balancing one), that is market based and follows the cost-efficiency principle, is better as it ensures easiness, transparency, equal access for the participants and reliability.

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 effect of the adjustment should be set closer to encouraging trading rather than reflecting a value for physical flexibility. A consultation with local stakeholders should be held.

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 addition of cross-border trade is justified, where such trade will be relied on for balancing, therefore a matter specific to specific balancing zones. Criteria seem sufficient at the Draft Code level.

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: They seem sufficient as a general guide to National Codes but too high level for direct implementation. Efficient application of WDOs hangs crucially on sufficient (accurate and timely) information to the Users about their imbalance. A reliable IT infrastructure, under which the Users will be able to perform their WDOs effectively and transparently, shall contribute to this scope

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

Response: WDOs, by definition, seem to be a last resort where trades between Users do not suffice to balance a system and threaten the system integrity. We hold, therefore, that additional criteria are needed on rules of priority for imposing such WDOs, in support of the last resort notion above and according to the nature, size and impact of Users affected (who will be given WDOs, what size, where, under which specific system circumstances, to what benefit overall).

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, we find the roles given in the Draft Code appropriate and quite distinct from each other.

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: It seems appropriate.

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: It is appropriate. The process should definitely include an adequate stakeholders' consultation period.

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: The scope seems appropriate.

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

Response: Enough transparency on principles is secured through a process of TSO proposal / NRA consultation and approval plus publication of the resulting methodology on neutrality. Publication of information to allow assessment of the overall performance of the regime adds only to the extent of sufficiency of its detail, a matter to be decided – in our opinion – at a local level, through public consultation respecting the trade-off between TSO / Users' commercial confidentiality on one hand and TSO general information obligations for User flows on the other.

Question 32 – Please indicate the level of granularity you would expect in the context of the breakdown of net Balancing Neutrality Charges cash-flows from both a temporal (e.g. daily, monthly, annual) and cost/revenue element split.

Response: Monthly reporting of the elements that contribute to each day's TSO's imbalance costs and revenues (on an aggregate manner) is necessary. Users should be informed in the greatest possible detail about their individual Balancing Neutrality Charges.

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: Separate pots better incentivise Users to balance their position in different periods / categories of flow (e.g. intra-day vs. end-of-day) but introduce additional complexity which may become unwarranted. The trade-off probably needs to be decided upon through trial –and-error, starting from the simpler form towards the more complex ones.

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

Response: - Differentiating factors could include, period of time (e.g. hour, peak-period in a Day, whole Day etc.), User portfolio (e.g. mainly power production or domestic/commercial distribution, or thermal industrial etc.), size of User (large-impact, small-impact) etc. To be decided on a local basis with consultation.

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: The cash-flow management specification seems appropriate.

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 remain in favour of separate invoicing in the interests of transparency, simplicity to Users and immediacy of charges/credits.

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: The proposed models seem to fulfil the FG's requirements. However, if within-day obligations are going to be provided there will be a need for more information to shippers in order to meet them.

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: The implementation of Variant 2 after a consultation process is right.

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: It is essential that the CBA shall include the time taken to provide information to the users. However, it should be clarified that CBA should – in our opinion – not be carried out in the case of within-day obligations, so that full information be provided to the Users, to enable them to adjust their imbalances.

Question 40 – Do you agree that the Balancing Network Code has to provide guidance on timing of information flows? If yes, do you agree with the proposals set out? If you do not agree with the Draft Code proposals what could the alternatives be and what would be the justification?

Response: We agree with provision of guidance and proposals set out, provide that sufficient time is allowed to Users to adjust their imbalances.

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, on condition that said requirements be fully implemented across the EU.

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

Response: The current proposals seem to be in line with the FGs's requirements, provided that there aren't WDO in force.

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 could be used by the TSOs, to make the users able to fulfil their primary balancing obligations efficiently, minimizing the need for WDOs. Since Linepack Flexibility Service hinges on good quantification of linepack, TSOs are called upon collectively (ENTSO-G?) to develop an accurate and transparent methodology for linepack estimation and its contribution on TSOs' daily balancing actions to the system as a whole and to each user.

However, there seems to be an inconsistency between the general principle of balancing settlement (a daily one) and the definition of Linepack Flexibility Service (periods over a day). This needs to be addressed.

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: We favour definition of the short-term balancing market at a local level, to respect the individuality of each market (liquid-illiquid, developed-developing, liberalised or not, interconnected or not etc.). It may be useful to introduce a local market size/state metric to scale absolute liquidity criteria to reflect local conditions.

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: LNG gas would be justified in cases of (a) flow restrictions within the Balancing Zone, making LNG gas the sole source of flexible gas in part of the Balancing Zone, (b) capacity congestion – either contractual or physical - at pipeline gas entry points, (c) established TSO accounting methods for balancing gas (grandfathering), (d) LNG being the dominant form of gas in the Balancing Zone. We see no conflict with the BTM.

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: Tolerances are used to reduce the user's risk to imbalance penalty imposition due to lack of sufficient and timely information on its position. As a result, tolerances should be price based (for instance, if within the band, they will be based upon an average price).

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 (see answer of Q.47 above).

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

Response:

We support the principle but would rather leave the detail to markets with NDM quantities.

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

Response: -

Question 51 – Do you agree that the Draft Code provides an adequate basis to support the release of surplus TSO flexibility as a stimulus to the market? If not, please explain why.

Response: Yes, in general 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: The interim imbalance cash-out price should be referenced to trades on Balancing Platform, thus promoting transition to a Trading Platform. For a smooth transition, reference to Balancing Platform trades could be linked to volumes traded on the Balancing Platform against those sold/bought under contracts for flexible gas. As BP trades take on, the reference will be made correspondingly stronger, thus self-accelerating.

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

Response: The steps that are stated in the subject table seem adequate.

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

Response: -

GENERAL ISSUES

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

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CHAPTER II. BALANCING SYSTEM	
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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: The supporting document was illuminating and essential for our participation in the subject consultation.

Taking the opportunity of our participation in the subject consultation, we'd like to bring forth the special case of implementing the rules of Balancing Code at Interconnection Points with third countries that needs more consideration on the level of the aimed harmonisation.