

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.

Yes. The establishment of a Virtual Trading Point within each Balancing Zone is a key for the implementation of a Balancing regime within an entry/exit system and is crucial to develop market 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?

Yes.

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).

Yes, a biannual report seems reasonable.

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).

We agree with the proposed process, as it seems including stakeholders' involvement and transparency.

CHAPTER IV. OPERATIONAL BALANCING

Question 5 – Do you agree that TSOs should, under specific circumstances, be allowed to trade in adjacent markets? If so, please explain under what circumstances.

In our opinion, this is a delicate issue to be further explored before drafting the final version of the Code if ENTSOG intends including it.

In general, we are concerned that TSOs acting on foreign markets could be detrimental to the development of liquidity on their own national markets. In our opinion, the procurement of gas by TSOs on neighbouring markets, although resulting more cost-efficient in some cases, could have the final effect of reducing a consistent share of demand on national markets, thus reducing the stimulus for the development of liquidity on them. When this happens in immature and not-well developed markets, a possible consequence could be the creation of a sort of vicious circle of illiquidity. Therefore, if the purchase of cheaper gas is possible for balancing purposes, it should be up to shippers deciding if taking this opportunity and the role of the TSO should be limited to the provision of information on the availability of interconnection capacity to transport the gas.

A further concern is related to the fact that allowing TSOs to purchase gas on foreign markets as a routinely activity could imply the concurrent purchase of transmission capacity, possibly on preferential terms to that available to shippers. For this reason, the existence of free and unused capacity shall be considered a necessary pre-requisite in systems where such a mechanism is introduced.

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.

We understand that the assessment of Balancing actions cannot always be limited to a restricted interpretation of the terms “economic and efficient”, meaning the lowest price available and that there are many other factors, like the ones listed by ENTSOG that should be encompassed in this expression. Nevertheless, we think that it should be paid attention not to apply further criteria in a discretionary way, as they are quite general.

As concerns the choice of using Long term Balancing Services instead of Short-term Standardised Products, we think that TSOs should not only look at the criterion of cost-efficiency: in immature markets in facts, it may be easily the case that gas procured through balancing Services is cheaper than short-term products. However, this does not justify that TSO should always prefer it to short-term standardised products based on costs: a possible implication of such an approach may be a longer time to develop liquidity on the short-term balancing market. In any case, stakeholders shall always be granted maximum transparency on the reasons why TSO chose to use a Balancing Service instead of STSPs.

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.

We agree, as this should help concentrate liquidity in these products and simplify the overall architecture of the system.

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?

We believe that the Code should specify that exchange-based trading is the final target to be gradually achieved in each Member State, as it is able to provide a higher level of transparency and standardisation.

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.

There may be merit for the code providing some common guidance on these aspects. First of all, we think that the code shall state that Platforms have to be managed by third parties and not by TSOs themselves.

Secondly, we believe that the Network Code should clarify 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.

This would ensure that power generators and gas fired power stations are able to switch load 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?

Yes.

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

Yes.

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?

We agree, as we do understand that in some systems temporal and locational products may be needed. In any case, their use should be limited to situations where Title Products are not able to provide an adequate solution to ensure that the system remains within the operational envelope. Also the text used to describe the merit order should be made more specific, by replacing “shall seek to” with “shall”.

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.

We think that lack of liquidity of the market and cost of Balancing the transmission system should be seen as a single criterion: indeed, a high cost is described as the consequence of the lack of liquidity on the market.

More in general on this issue, it is not completely clear within the Draft code which will be the conditions for choosing to use a balancing service instead of a SSTP and how they will be defined in each system: indeed, some of the criteria to use a Balancing Service may be related to the need to use locational products or temporal products. What are the elements that will justify the use of a balancing service instead of these SSTPs?

As we said in answer to question 6, cost-efficiency cannot be the only reason for preferring a Balancing Service to a short-term standardised product, as this choice may have other side implications on the development of the market.

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.

In principle, we would prefer an approach implying that NRAs can design an incentive mechanism for TSOs, instead of having TSOs doing that: this would eliminate any possible conflict of interest. Stakeholders shall be consulted upon possible choices.

In our opinion, a possible incentive mechanism could be based on the reward of the TSO if he is able to take balancing actions within the band between the Average Price and the Average Price + the Small Adjustment

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.

The proposed procedure seems acceptable. However, one of the criteria listed for a TSO rejecting or partially accepting a nomination or renomination is a physical constraint (Art. 23-1-i-d). This criterion is not clear enough and in our view, 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.

Our first remark is that harmonisation within the code is limited to IPs between member States, thus excluding all IPs with Third countries and connection points with storages, LNG facilities and productions. Although understanding that legal issues may prevent the Network Code to impose harmonised rules on other points, we think that the effects of this exclusion should be further investigated. Indeed, if IPs with third countries and other connection points will have different nomination/renomination schedules there could be discrimination among users' ability to balance their position depending on the composition of their portfolios and the creation of competitive advantages/disadvantages between network users operating on different points (e.g. in countries where connections with Third Countries are present, users with a portfolio composed by higher shares of gas imported through European countries, and thus coming from EU IPs, will benefit of more flexibility in nominate/renominate than users importing gas directly from Third Countries).

A possible improvement of the Code on this point could derive from the introduction at Art. 24 of a sentence requiring commitment to NRAs (who may have more legal power on this than TSOs) to harmonise to the extent possible nomination and renomination procedures at non-IPs.

If network users will become the main responsible of the balance of the system, it shall be clear that they shall access on equal foot the maximum level of sources of flexibility.

As concerns the schedule proposed for initial day-ahead nominations, we would suggest to enlarge the window between the deadline for TSO to deliver information on NDM Off-takes and the initial day-ahead nomination, by anticipating the deadline for TSOs to 11:00 UTC (instead of 12:00). This would ensure network users to have a longer period (2 hours instead of one) to elaborate forecasts on the basis of updated information.

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.

We are fine with the re-nominations proposed for the Target Model, but would like to highlight that in some systems interim measures could be needed as a common necessity for TSOs and shippers to adapt to a 24/7 trading system. See next answer for details.

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.

We support the possibility for some systems to introduce transitional measures concerning renominations. In particular, we recommend that:

- a. the transition should be handled gradually, taking into consideration the economical and organizational impacts that it will have on shipping companies (in particular on small players), that will have to structure their organizations to cope with a 24/7 balancing activity;
- b. concentrating nomination/renomination in specific temporal windows could prove positive to increase liquidity on the market, at least during the first period of implementation of new balancing mechanisms.

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?

We do support ENTSG approach and we agree with the fact that setting any difference between the NDM derived forecasts and actual NDM off-takes at Weighted Average Price instead than using Marginal Price, would generate cross-subsidisation and reduce market liquidity. We are convinced that Network users able to better predict their NDM Off-takes should benefit of this competitive advantage.

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?

We strongly agree with ENTSG approach that leaves Temporal and Locational products out of the determination of the Weighted Average Price. This will ensure consistency between the calculation of the marginal component and the weighted average price. Moreover, we believe that all trades related to “particular” needs (locational or temporal) of TSOs should be excluded from the calculation of the weighted average price, as they will be heavily

influenced by the characteristics of the offer at the specific entry/exit point (in case of Locational Products). Prices related to trades of Locational Products, for instance, will reflect the presence of a limited number of operators having flexibility on that point and thus should not impact on the average price registered on the market.

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?

Although in principle using only within-day trades to determine the Weighted Average Price can be considered the final target, we believe that there is merit in allowing local discretion as concerns the inclusion of day-ahead trades and this is particularly true with reference to less developed and less liquid markets. Indeed, the opportunity to include or not day-ahead trades may depend on the characteristics of each system and in particular on the existence and distribution of within-day flexibility. In systems where within-day flexibility is very limited and almost completely related to the availability of storage, the determination of price by considering only within-day trades would therefore mean giving a strong power to operators having easier access to storage to influence the balancing price. Moreover, being the sources of flexibility scarce within-day, the number of transactions will be lower than the one of actions taken day-ahead and therefore the price used to charge imbalance will be less significant.

We acknowledge that the risk of including day-ahead trades could be a less accurate reflection of the balancing needs of the system, as day-ahead procurement is based on a less accurate knowledge of the system position if compared to the knowledge that the TSO may have within-day. A possible solution to this problem may be the introduction of a system of incentives for the TSO to improve its ability to forecast the evolution of the system.

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.

As previously explained, we believe that the final target should be only considering trades that took place on exchanges, as they are more transparent and generally regard standardised products. Moreover, we believe that the use of a single platform would have the merit of clarify 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?

In principle the small adjustment should have both effects, meaning that it should be wide enough to encourage trading, by discouraging shipper to be imbalanced, but that it should also reflect the value of alternative sources of flexibility. In particular, we think that in systems where it will be fixed in 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 the alternative source of flexibility (which, for example, may be storage), there will be no incentive for the user to balance its own portfolio onto 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 market/system.

However, as a principle, we would like to have the small adjustment fixed in order not to emphasize volatility of market prices.

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.

Yes, impact on cross-border trade seems a reasonable criterion to be added, provided that integration of balancing zones is one of the medium-term objectives to complete the single market.

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.

Yes, criteria are further elaborated to prevent the introduction of WDOs apart from cases where they are really needed for the security of the system. Nevertheless, it seems that article 32.1 can be widely interpreted to allow a TSO to impose WDOs in any case it has to take balancing actions to manage the system's position within-day, which is always the case. We would recommend to rephrase the article making explicit reference to the need of the TSO to maintain the system in balance for a specific time of the Gas Day.

Furthermore, we believe that a further criterion should be introduced, which is that costs paid by users in relation to WDOs should be strictly related to TSOs' expenses for the implementation of WDOs: this is particularly referred to fixed costs that TSOs may have and attribute to the management of activities related to WDOs (e.g. dedicated human resources, IT systems, etc). These costs and their relation with WDOs should be identified in a transparent manner, in order to avoid that operators subject to WDOs are not bearing other costs.

In general, if more specific provisions on within-day obligations had to be introduced under ACER's requirement, Edison favours incentives (obligations) on system imbalance, as they have the advantage of avoiding specific requirements on individual portfolios and thus minimize the risk of discrimination between users. Furthermore, the possibility for users to be rewarded if helping the system to be balanced could prove a good incentive to behave virtuously. In any case, attention should be paid to the definition of the limit triggering a balancing action by the TSO, as it should be related to the existence of a real criticality for the physical integrity of the network.

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

See answer to question 25.

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.

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.

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.

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.

We support ENTSOG's approach of introducing details on neutrality charges within the Code and we think that more details on the calculation of neutrality charges should be included within the Network Code as their design is a key element of the balancing regime. Moreover, it has to be assessed if leaving the design of neutrality arrangements at a national level may have an impact on cross-border trade.

As concerns the proposed text of the Code, we would like a clarification on the criterion used to apportion Balancing Neutrality Charges to Network Users: we interpreted the sentence "*to the extent this Network Users makes use of the relevant Entry and/or Exit Point (s)*"

concerned or Transmission System” as if neutrality charges will be redistributed on the basis of the volumes flowed by each user. Can ENTSG inform if our understanding is correct?

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

Maximum transparency is needed.

Shippers need to know how neutrality charges are calculated and double counting some elements (for example costs for the development of IT applications for balancing, which can sometimes have already been included within the transmission tariff) should be avoided. Where neutrality costs are substantial, an element of predictability will be necessary such that network users can incorporate them into their ongoing cost assumptions.

A further element to be clarified, for example, is how to smear across users the cost of Balancing Services, as it may be difficult identifying for which users they have been used.

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.

The maximum level of granularity would help to increase transparency.

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 such that they can 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.

Edison thinks that this solution may have merit in systems where WDOs are introduced and where TSOs may accurately detect the relationship between costs and actions taken within-day to balance positions of specific users. Indeed, if properly working, this approach may contribute to implement a “polluter pays” principle. Nevertheless its implementation seems quite complicated, as 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. For this reason, we think that a careful monitoring by NRAs should be ensured by the Code in systems where multiple pots are introduced.

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

See answer to question 33.

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?

We believe that the introduction of reasonable principles of credit protection to be afterwards developed by NRAs and TSOs in each national system should be mentioned in the Network code.

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.

If this question has to be interpreted on the possibility to issue a single invoice for transmission tariffs and for neutrality charges, then we can agree if it implies lower operational costs for the system.

CHAPTER IX. INFORMATION PROVISION OBLIGATIONS

Question 37 – Do you agree with the information provision models for offtakes proposed in the Draft Code fulfil the requirements of the FGs? If not, please explain.

Yes, the three models comply with the requirements of the FGs.

Question 38 – Do you agree that prospective implementations of Variant 2 should be approved only after a consultation process? If not, please explain.

Yes: since it is a system that leaves unexposed to balancing risks some users (therefore providing them with a competitive advantage and possibly generating socialised costs onto the system), it is fair approving it only after having consulted all stakeholders on possible impacts of such a variant.

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.

We do agree that the time taken to provide information to Network User is a key variable to assess the friendliness of information provision aimed at allowing users to be balanced. In general, Information should be provided well in advance to allow network users to elaborate forecasts and nominate/renominate.

Also, we strongly recommend that where possible information on IDM directly connected to the transmission network is provided to shippers with a higher level of granularity, which is not only on an aggregate basis, but on a point-to-point (or “site”) basis. This would allow shippers to better manage the balance of these customers, as aggregate information may not be enough to understand which customer is, for example, changing its consumption pattern. It may be a CCGTs or an industrial customer and since they have different consumption profiles, the more accurate the information is, the more precise can be the balancing policy of the shipper serving these customers. We do believe that since these data refer to points on the transmission network it should not be too costly for TSOs providing them to users. Nevertheless, if necessary, they may also be object of CBA.

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?

We do agree on the Code providing guidance on this. We support having information provided at least twice a day, as recommended also by the FGs. Nevertheless, this requirement should be considered as a minimum and should not prevent for the implementation of more frequent updates, where possible and cost-efficient.

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?

Yes

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

Yes, the proposal is aligned, but we would recommend to include in the code a principle requiring TSOs to minimise the cases where allocated volumes do not match with nominated or where they cannot be apportioned on each user and thus information is provided in an aggregate manner. This will indeed contribute to reduce uncertainties for network users and can be easily avoided by wide spreading the good practice of interconnected TSOs signing Operational Balancing Agreements (OBAs) including clear rules for the allocation of volumes.

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.

Criteria are fine. The key is that linepack is firstly used by TSO to balance the network within day and thus to avoid the introduction of within-day obligations. Then, in systems where it is in excess and its offer onto the markets does not imply the introduction of within-day restrictions, line-pack flexibility services may be introduced.

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?

All the criteria listed on the Supporting document to define liquidity seem appropriate and we believe that the Code should include them as elements to provide guidance for national systems to assess the level of market liquidity.

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?

We do agree with the introduction of measures to enable a wider access to short-term flexibility, at least as initial measures to be applied in systems where liquidity onto the market is not developed enough and flexibility is generally held by incumbents as a consequence, for example, of the application of Public Service Obligations (ex. Priority allocation of storage to shippers serving residential customers, etc). Both UK and Italian case studies represent a possibility to be, in our view, envisaged within the Network Code. Or at least, some common criteria should be set to be followed by NRAs wishing to introduce this kind of mechanism as interim measures.

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?

This question needs clarification, as we understand that LNG are always part of the balancing system as entry points.

In general, as concerns LNG, we think that it has to be considered as a valid source of flexibility and as such regulated in order to allow network users to use it as a balancing source, for example ensuring the possibility to re-nominate it day-ahead and within-day with the same frequency of IPs.

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.

We do agree with this approach.

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.

Yes, quantities object of tolerances should be cashed out at average price: tolerance will thus consist in reducing the exposure of shippers at the marginal price for a certain amount of imbalanced volumes.

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.

We do appreciate ENTSOG's decision to add an additional criterion to justify the introduction of tolerances, which is accuracy of information. Liquidity of markets is not in facts the only variable influencing shippers' ability to be balanced. We therefore agree with the project of linking the phasing-out of tolerances with the introduction of increasingly accurate provision of information.

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.

We think that the code is providing adequate (sometimes excessive) mitigation of risk for shippers serving NDM customers. In general we do not support an approach that determines different tolerance levels on the basis of portfolio class composition and with potentially different rules applicable for NDM demand component.

This is particularly unacceptable until the metering of IDM and DM customers will not be efficiently managed and the accuracy of the data will not be ensured to shippers. In facts, even if it is true that offtakes of NDM customers are characterised by a physiological level of variation from predefined forecasts, the range of error related to these variations could be estimated without excessive difficulties. On the contrary, shippers serving big (IDM and DM) customers, in absence of any guarantee on the accuracy of metering, could be subject to wider and less predictable variations (i.e. not only related to temperatures, but also to other factors, such as productive decisions or the outcomes of the electricity market).

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.

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?

YES, provided that trades on the balancing platform take place with balancing purposes and thus can be considered to reflect the cost of balancing born by TSOs. In any case, we would reiterate our positive opinion towards the introduction of obligations to offer available flexibility onto the Platform as a positive tool to develop liquidity and to get shippers used to participate to the balancing market.

As concerns the use of proxies for the definition of interim imbalance cash-out prices, a possible solution can be the elaboration of formulas weighting the different reference prices per the liquidity of related markets: for example, the weight of the trades on the transitional Balancing Platform may be weighted according to the level of liquidity there registered and thus its relevance for the final price progressively increasing with its level of liquidity.

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

See question 45 regarding the possibility to introduce some obligations to stimulate liquidity on balancing markets.

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.

Provided that information is a key for the well-functioning of the Balancing Target Model, we believe that ENTSOG should contribute to monitor and provide evidence to ACER and to NRAs the proper implementation of obligations on information provision, in particular with regard to the activities that involve DSOs and other parties that may show more reluctant to implement the provisions of the Code.

GENERAL ISSUES

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

CHAPTER I. GENERAL PROVISIONS	
CHAPTER II. BALANCING SYSTEM	
CHAPTER III. CROSS-BORDER COOPERATION	
CHAPTER IV. OPERATIONAL BALANCING	
CHAPTER V. NOMINATIONS	
CHAPTER VI. DAILY IMBALANCE CHARGES	
CHAPTER VII. WITHIN-DAY OBLIGATIONS	
CHAPTER VIII. NEUTRALITY ARRANGEMENTS	
CHAPTER IX. INFORMATION PROVISION OBLIGATIONS	
CHAPTER X. LINEPACK FLEXIBILITY SERVICE	
CHAPTER XI. IMPLEMENTATION, INTERIM MEASURES AND ENTRY INTO FORCE	

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?

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.

The Supporting document proved very useful to understand the Code and the questions and we hope that ENTSOG will continue to issue this kind of paper for all the future consultations.