

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.

Name (Confidential)

Organisation

Company/Organisation Name: EnBW Energie Baden-Württemberg AG

Contact details (Confidential)

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 consider the implementation of one Virtual Trading Point per Balancing Zone as an essential prerequisite in order to establish functioning wholesale markets.

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:

Not entirely. The Network Code should lay-out that an entry- exit system consists of just one balancing zone with one VTP. Hence it must include both the transmission and the distribution system where appropriate, meaning consistent balancing rules for the transmission as well as the distribution system have to be developed and applied.

CHAPTER III. CROSS-BORDER COOPERATION

Question 3 - Do you agree that ENTSOG should issue the review of the progress of harmonisation of balancing rules report at the latest two year after the implementation of the network code and then biannually thereafter? If not, please propose an alternative and provide justification to support your proposal (and /or counter Draft Code's approach).

Response:

Yes, we agree with the proposed timing for the review process.

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, we agree.

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:

No or at least not as a long term option for TSOs, as it implies inefficiencies and creates uncertainties about the role of a TSO. In functioning markets there is no need/no justification for the TSO to take over the role of a shipper, as the available capacity will be used by shippers (on a Day- Ahead- or Within-Day-Basis) to offer balancing energy in the relevant market. Hence, all capacity will be used efficiently by traders if capacity is made available on a short-term and market-price-level basis. Therefore TSO should focus more on the establishment of balancing markets within their boundaries (which enables shippers to participate in those markets) rather than trying to “conquer” adjacent markets.

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, we consider it as an appropriate criterion, although from a pure technical aspect it seems hard to imagine a balancing action which is efficient but not economic.

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, we consider this approach as a very useful step forward in order to establish a functioning balancing market or, more general, a functioning wholesale market.

Question 8 – Do you agree that the Balancing Network Code should not prescribe exchange-based trading for the TSO and to leave this to the discretion of the TSO and the TPO? Should the network code provide criteria and factors to consider for the TSO to use an exchange based trading?

Response:

Yes, it should be left to the discretion of the TSO whether to use exchange based trading (if it exists) or not. The important requirement is that TSOs procure the required balancing energy at the lowest cost and limit the use of Locational and Temporal products as far as possible to avoid restricting the number of potential suppliers unnecessarily.

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:

Just partly. We agree that it is not necessary to further specify the characteristics of the balancing products. However apart of ruling out that balancing services must be "procured through transparent and non-discriminatory procedures" (Article 16.2) the NC should clearly state that balancing products and services must be set up in a way that they can be offered by a large number of, or even all market participants, in order to create a liquid and efficient balancing market.

Question 10 – Do you agree with the current level of specification in the Draft Code on contractual structure and arrangements between the different parties? What changes (if any) would you advocate?

Response:

Yes

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?

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:

Just partly. We strongly support the creation of the Merit-Order List and the underlying intention to focus on STSP as the main balancing tools. However, we see the need for further clarification in the wording of this paragraph in a way that TSOs will in deed prioritize the use of Short Term Title Market Products over balancing services. Therefore we suggest the following:

1. Deleting the word "seek" in Article 13.1
2. Adding another bullet point in Article 12.4
"c) Balancing actions shall focus on short term standardized products to the extent possible in regards to stability of the system and its economic feasibility"
3. Adding another bullet point in Article 13
"4. The TSO shall prioritize the use of short term Standardized Products over the use of balancing services"

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:

Again we highly support the chosen criteria and the intention to reduce the usage of balancing services but would prefer a stronger statement in that the usage of balancing services is just a "final option" if short term markets are unable to provide the required balancing energy.

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:

As the TSO has a clear interest in the incentive regime it would probably be more appropriate to mandate an objective third party (a consultant) to propose an incentive mechanism that should subsequently consulted with stakeholders. We propose to amend the draft with the words "upon request by the relevant NRA". This would leave it to the discretion of the NRA to either consult the TSO or an independent proposal.

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:

The network code should precisely clarify that the rejection of nominations that are within a network user's booked capacity is only allowed in cases of an emergency situation, or a pre-notified instance of force majeure.

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 with the schedule for initial day-ahead nomination on 2pm CET, as it is in-line with current practice.

Question 17 – Do you agree with the schedule for re-nominations set out in the Draft Code? If not, please give a reasoned alternative schedule.

Response:

Yes, we agree that currently a lead time of 2 hours is in most cases sufficient to enable shippers to react accordingly to their balancing needs. However, we encourage ENTSO-G to take a dynamic approach within the Network code that declares the shortening of lead times in the future as shorter re-nomination periods will become of particular interest in regards to the envisaged increased usage of gas fired power plants as back-up capacity for renewable energy sources.

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:

To encourage a fast development of functioning spot wholesale markets, there should be a limitation to the transitional period up to 3 years.

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 this.

Question 20 – Do you have alternative views as to whether Locational and/or Temporal Market Products should feed into the derivation of the Weighted Average Price? If so what is your rationale for a different approach and what do you see as the benefits?

Response:

We support the current approach. Locational and Temporal Market Products should be excluded from setting the marginal price to avoid that rather small volumes determine a price for balancing energy that might differ significantly from the costs for the larger volumes procured on the title transfer market and, hence, the overall real costs of the TSO. However, for the calculation of the Weighted Average Price the inclusion is justified as it allows the TSOs to recover its balancing costs.

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:

Not really. We doubt that many balancing actions can be undertaken on a Day-Ahead Basis, as initially nomination should lead to a balanced system status expected at that time. Imbalances will occur just within day. Consequently, the weighted average price, the marginal sell and buy price, should be determined by Within-Day-Trades.

Question 22 – Do you agree that the source of trades should be left to local discretion? What criteria should apply? Should there be an aspiration that the source of trades should be a single platform and if so why and how should the platform be determined? Please provide a rationale for your preferences.

Response:

Yes. TSOs should be obliged to use either an exchange or a balancing platform for balancing actions.

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 intention of the “small adjustment” should be that shippers are encouraged to trade to balance their portfolios. This adjustment should not be higher than for the purpose needed. Additional revenues for the TSO have to be avoided. Furthermore in order to harmonize the interpretation of “small” throughout Europe, the NC should define a certain cap that just applies in mature markets, so markets in transition still get the opportunity to apply a higher adjustment.

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.

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:

Not sufficient! The NC should more clearly link the implementation of WIDO to the matter of information provision that goes beyond the statements from the framework guideline. Meaning, if WIDO are implemented additional information for the shipper about their balancing status is needed and this information has to be provided before a potential within-day charge is imposed. It shall be provided in such a timely manner that Network Users are enabled to adjust their inputs and/or offtakes before a potential charge is imposed.

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

Response:

No, there is no further criterion needed.

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:

Any consultation concerning WIDO should be initiated by NRAs and not by the TSO.

Question 28 – Do you agree that a six-month period is appropriate for a TSO to make a proposal for approval of an existing WDO, including a recommendation document? If not, please propose an alternative and provide justification.

Response:

Yes.

Question 29 – Do you agree that a six-month period is appropriate for the NRA to conduct its assessment and approval process? If not, please propose an alternative and provide justification.

Response:

Yes, but it should include a stakeholder consultation.

CHAPTER VIII. NEUTRALITY ARRANGEMENTS

Question 30 – In your view, is the scope of the currently proposed neutrality section of the Draft Code appropriate? If not, please explain why.

Response:

From our perspective further specifications about the general idea of setting up a neutrality mechanism is needed. It should clearly be clarified that neutrality mechanism are supposed to cover costs of residual actions that can not be targeted to a specific net user or at least to a certain group of net users. Furthermore more provisions are required in regards to the relevant accounting period for the neutrality charge, the relevant group(s) (What are the concerned Network Users) and the basis the charge can be set upon.

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.

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:

In general yes. Such targeted attribution might reduce cross subsidies and incentivise network users to balance their inputs and offtakes. It might therefore provide an alternative for introducing within-day obligations if TSO are able to address the residual costs adequately to the different pots. However, experience from Germany has shown the difficulties in appointing balancing costs to certain group of customer. If this cannot be realised in a transparent and justified matter it might create more troubles than benefits.

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

Response:

A necessary prerequisite is that costs can be attributed to the different pots fairly well. In this regard splitting the pots between the costs for Within-day- and End-of-day-actions seems unlikely to be achievable, as they can hardly be separated and even might rely on the same products. More likely seems to be a differentiation between IDM and NDM.

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. Further details should be determined at national level.

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:

Yes, this could be an option.

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:

In general, status information is essential for market functioning. In order to be able to manage their balance position efficiently e.g. in making decisions on how to re-nominate within day, shippers need user friendly access to information especially on their own detailed balancing status including metering and allocation data etc.
Two daily updates on individual network user's imbalance position is designed to fit a daily balancing regime without additional within-day obligations. Hence there is need for additional information, especially if WiDO will be implemented.

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:

We agree. Furthermore we support a consultation process for systems where variant 2 is currently already applied.

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:

In general, we support cost-benefit analysis. However we have to state again that information provision is an essential prerequisite in order to comply with any obligations. Hence, if WiDO obligations are introduced there must be sufficient and accurate information, otherwise a market based balancing approach can not work.

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, we agree that guidance is helpful.

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:

Requirements are sufficient, but unfortunately those requirements are not fulfilled by many TSOs. For example, real time flows, system status or line pack information is not provided by the majority of ENTSG members.

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

Response:

Yes. The code should clarify however, that these models apply only to daily balancing regimes without additional within-day obligations.

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:

Yes, we think the proposed criteria are set up adequately to restrict the use of Linepack Flexibility Services to the extent possible.

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 think this should be left to national determination.

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?

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?

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, a price based tolerance seems to be the appropriate approach. However, tolerances should only be used in order to offset the inability of network users to manage their imbalance risk due to insufficient, untimely or inaccurate 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.

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. However the accuracy of demand forecasts has to be made mandatory.

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.

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

Response:

Yes.

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

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

Response:

No.

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

Response:

No.

GENERAL ISSUES

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

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 ENTSG should consider as it develops the Balancing Network Code?

Response:

No.

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

Response:

Yes, the supporting document proved to be a very helpful tool in understanding/clarifying the Network Code or rather the intention of the Network Code.