

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

First and Last Names: Romain Verdier

Organisation

Company/Organisation Name: Direct Energie

Job title: Head of Optimisation & Trading

Contact details

Email: romain.verdier@direct-energie.com

Tel: +33.(0)1.73.03.78.39

Mobile:

Address

Street: 2 bis rue Louis Armand

Postal code: 75015

City: PARIS

Country: France

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:
Direct Energie agrees.

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:
Direct Energie agrees.

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:

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:

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:

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:

Direct Energie agrees.

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:

Direct Energie agrees with (1) and (2).

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:

In our views, TSO should only be allowed to trade on exchange (transparency issue)

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:

Direct Energie agrees.

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:

Direct Energie agrees.

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:

Direct Energie agrees.

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:

In our view, merit order should only be driven by the cost or fair value of each product rather than an empiric merit order.

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: Direct Energie agrees with criteria and principle of gradual reduction of the use of Balancing Services as the liquidity of the wholesale market increases. Direct Energie wishes to emphasize on the fact that the more NUs balance themselves on the market, the more TSO shall accordingly reduce LT sourcing and balancing services, and the more balancing charges must be reduced for NUs and end-users.

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:

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:

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:

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:

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:

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:

As mainly supplier of NDM customers, Direct Energie does not agree with the definition of the Daily Imbalance Quantity determination proposed in the Draft Code (eg Imbalance = Input-Offtake). On our view, the interim measures as described in figure 20 of the support document (p.88), shall be perpetuated after the interim regime.

These measures are detailed as following:

- > a specific Tolerance Level for the difference in the final NDM Derived Forecast and NDM Offtake Allocation;
- > a provision to allow an incentive to encourage the forecasting accuracy of the NDM

Derived Forecast;

- > transparency on the accuracy of the NDM Derived Forecast;
- > provision that the NDM Derived Forecast must be based on Load Profiles
- > provision to ensure competition between NDM suppliers (If a Network User can predict its NDM Offtakes better than its competitors, it should gain an inherent 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?

Response:

Direct Energie is in favour of using only Title Market products from Gas Exchanges for calculation of the Weighted Average Price. For the sake of clarity, this Weighted Average Price is based upon all deals made on the market (e.g. TSO +market), as definition of Draft Code is not clear (see below).

'Weighted Average Price' means the energy weighted average price of short-term trades in Title Market Products carried out at the virtual trading point in respect of a Gas Day. The related trades shall be made on pre-identified Trading Platforms, *[exchanges or via recognized price reporting]*, as determined by TSOs and approved by national regulatory authorities.

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: Day-Ahead trades shall only be taken in account in the calculation of Weighed Average price in situation when TSO trade on Day Ahead product.

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: In our view, source of trades (TSO and market) shall only come from exchanges platform, as they are the only fully transparent and controlled market.

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: Small adjustment shall only be an incentive to go on the market rather than to be balanced by TSO, therefore it should encourage trading rather than reflect a value for physical flexibility.

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:

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:

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

Response:

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:

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:

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:

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:

Direct Energie agrees.

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

Response:

Direct Energie agrees.

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:

For the sake of simplicity, Direct Energie prefers an annual granularity.

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:

Direct Energie disagrees with the principle of different pots for financial neutrality, because it is a breach in the non-discriminatory access to gas network.

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:

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:

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: new information to Network users shall only be implemented if

- an added value is evaluated by Cost/benefits analysis
- cost of implementation is allocated to Network User which benefits from the new information

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:

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 our view CBA is mandatory before any decision concerning implementation of new information to the market. The time taken to provide information must be delivered in reasonable time. In addition cost of implementation shall be allocated to Network User which benefits from the new information

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:

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:

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

Response:

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:

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:

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: Carry-over tolerance is applied on the French market and gives to small competitors' flexibility to offset the high volatility of forecast of NDM offtakes. On top of this a price tolerance is applied, giving a market-based signal for balancing.

As mainly supplier of NDM customers, Direct Energie prefers to keep this hybrid system which is to cost-efficient. Applying only price tolerance shall only be acceptable for us if there is, in addition of Price Tolerance, a specific Tolerance Level for the difference in the final NDM Derived Forecast and NDM Offtake Allocation.

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: Direct Energie agrees on application of WAP for volume within the tolerance.

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: Direct Energie approves the global principle of tolerance declining as information increasing. However, on the NDM segment and in our view, we think that

- Unpredictability (High volatility of forecast) of NDM demand can only be reduced marginally by new informations, as there will always, in our view, remain a residual unpredictability due to the profiling approach of NDM demand forecast.
- Even if new information is given (in the case of an added value is proven with a CBA approach), Direct Energie thinks that this will disturb competition between supplier and potentially destroy competitive advantage of one supplier which have a better forecast model.

Therefore, Direct Energie proposes that interim measures as described in figure 20 of the support document (p.88), have to be perpetuated after the interim regime.

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: the NDM forecast Deviation adjustment seems to be indeed a good approach to mitigate risk involved in servicing NDM demand as it clearly gives a buffer that can offset the unpredictability (High volatility of forecast) of NDM demand. Direct Energie is clearly in favour of this approach not only for an interim phase but also in a non-interim phase as there will always, in our view, remain an important residual unpredictability due to the profiling approach of NDM demand forecast.

Especially, Direct Energie agrees on the detailed principles of NDM Forecast Deviation Adjustment as interpreted in figure 20 of the Supporting Document for Public Consultation on the Draft Code on Balancing.

However, Direct Energie notices that the corresponding approach in the Draft Code, is in our view the opposite of what is interpreted in figure 20 of support document.

Draft Code : “Tolerance Level may include a component calculated taking into account the application of the Non Daily Metered Forecast Deviation which is the amount by which the relevant Non Daily Metered Derived Forecast:

- a) If the Daily Imbalance Quantity is positive, exceeds the Non Daily Metered Exit Allocation;
- b) If the Daily Imbalance Quantity is negative, is less than the Non Daily Metered Exit Allocation. “

Direct Energie does not agree with this, where it appears that in case of overestimation of NDM demand forecast, a NU which is long will benefit from the NDM Forecast Deviation Tolerance (and therefore will have a part of its imbalance (within the tolerance=NDM forecast deviation) settled at Weighted Average Price (non penalized) and the rest at Marginal Price), although he does not help the TSO to get balanced. In our view, it should be the opposite.

Revised Draft Code proposed by Direct Energie: *“Tolerance Level may include a component calculated taking into account the application of the Non Daily Metered Forecast Deviation which is the amount by which the relevant Non Daily Metered Derived Forecast:*

- a) If the Daily Imbalance Quantity is positive, is less than the Non Daily Metered Exit Allocation;*
- b) If the Daily Imbalance Quantity is negative, exceeds the Non Daily Metered Exit Allocation.
“*

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:

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:

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

Response: In our view, Step 4 for tolerances (NDM Dev Adjustment) shall be kept after interim phase as unpredictability (High volatility of forecast) of NDM demand can only be reduced marginally by new information, as there will always, in our view, remain an important and incompressible residual unpredictability due to the profiling approach of NDM demand forecast.

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.).

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?

Response:

A special focus on the economic impacts for end-users customers of this new balancing regime should be made: particular, a global costs / benefits analysis shall be made before any final decision of entry in force of this network code. This global CBA should explicit the economic impacts per category of end-users customers, especially NDM demand.

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: too much questions and specifically too much general questions.