

(refined) Draft Network Code on Balancing – stakeholder support process

SSP Response Sheet

Please complete the fields below and send via email using the subject title, “Response to the BAL NC SSP” to info@entsog.eu by 28 September 2012.

Name

First and Last Name: Nabil Mezlef

Organisation

Company/Organisation Name: EDF Group

Job Title: Regulatory adviser

Contact details

Email: nabil.mezlef@edf.fr / edfregulation@edf.fr

Tel: + 33 1 40 42 30 84

Mobile: + 33 6 65 06 55 52

Address

Street: 22-30 avenue de Wagram

Postal Code: 75382

City: Paris Cedex 08

Country: France

Countries in which your organisation operates:

How would you describe your organisation?

<input type="checkbox"/>	Association	(please specify type)
<input checked="" type="checkbox"/>	End user	
<input checked="" type="checkbox"/>	Network user	
<input type="checkbox"/>	Trader	
<input type="checkbox"/>	Other	(please specify)

Question 1: Do you consider that the network code development process carried out by ENTSG was appropriate, given the boundaries of the framework guideline? In particular, was the level of stakeholder engagement appropriate? If there is room for improvement, please inform us about possible suggestions for improvement.

Yes

Comments: The network code development process and the level of stakeholder engagement were really satisfactory.

Question 2: Please complete the table below, indicating whether you support the relevant sections of the Draft Network Code on Balancing, having regard to the process carried out and ENTSG's aim to reflect the views of the majority of users during the development process.

Chapter	I: General Provisions	II: Balancing System	III: Cross-border Cooperation	IV: Operational Balancing
Support	x	Partially : see comments	x	Partially : see comments
Do not support				

Chapter	V: Nominations	VI: Daily Imbalance Charge	VII: Within-day Obligations	VIII: Neutrality Arrangements
Support	Partially : see comments		Partially : see comments	Partially : see comments
Do not support		x		

Chapter	IX: Linepack Flexibility Service	X: Information Provision	XI: Implementation, Interim Steps
Support	x	Partially : see comments	Partially : see comments
Do not support			

Please provide brief reasoning for your responses, if you wish.

In general, EDF is rather supportive of most of the code's proposals. Indeed, they reflect the debate that took place during the several workshops and are close to constitute consensual provisions. However, we consider that there is still room for improvements.

Balancing system

EDF fully supports the orientation of this code towards a more market-based approach for balancing. In this respect, EDF would like to recall that the bid/offer system and the use of marginal pricing shall be enough to incentivize market parties to be balanced and that no other mechanism is needed.

Operational balancing

EDF supports most of ENTSG proposals regarding operational balancing. Nevertheless, there are 2 points where improvements can be made:

- the possibility for TSOs to trade in adjacent markets shall not only be approved by the NRAs but also submitted to public consultation;
- the procurement of balancing services shall be approved by NRAs and submitted to public consultation.

Nominations

EDF supports the nomination (re-nomination) regime proposed in the network code. However, we would like to highlight possible effects of discrimination deriving from the exclusion of non-IPs from the obligation to apply a nomination (re-nomination) procedure as the one prescribed for IPs. We understand ENTSG's point that legal issues may prevent the Network Code to impose harmonised rules on non-IPs, but we think that allowing different nomination (re-nomination) schedules for each entry/exit point could eventually lead to discrimination among users' ability to balance their position depending on the composition of their portfolios and to the creation of competitive

advantages/disadvantages between network users operating on different points and with different supply sources. If network users become the main responsible of the balance of the system, it should be clear that they shall access on equal foot the maximum level of sources of flexibility. 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.

Daily imbalance charges

EDF cannot support the proposal regarding daily imbalance charges. In principle, **EDF does not see any rationale behind using day-ahead prices for the determination of the Weighted Average Price, Marginal Buy Price and Marginal Sell Price.** Indeed, when a TSO is making balancing actions on a day-ahead basis, it never knows accurately the system position for the following day. **Thus, since day-ahead prices do not reflect balancing needs of the system, EDF would not recommend using them, in the balancing target model.** As a target, only within-day trades should be taken into account but in less matured markets, this could be considered as a transitory measure.

We agree however that the question arises for weekends since exchange markets are not open. But an alternative solution to the use of week-end trades would be to suggest that exchange markets be open on weekends, and so to also use intra-day prices for daily imbalance charges calculation during weekends.

Regarding the applicable price for the calculation of daily imbalance charges and as stated before, EDF considers that it should be the value of gas such as reflected by the within-day trades on the exchange-based balancing platform. From an economic point of view, the daily imbalance price must reflect the gas price of the gas day (in order to give shippers a relevant signal for balancing) and not only the marginal price of any trade in which the TSO is involved for balancing purposes. Then, any difference for the TSO between daily imbalance charges (charged to shippers) and balancing actions (supported by the TSO) must be offset through the neutrality mechanism. Moreover, EDF underlines that the marginal price is not really cost-reflective since it doesn't take into account all TSO's balancing trades. In any case, a neutrality mechanism is needed.

Within-day obligations

The new draft chapter on within-day obligations seems to take into account major points raised by stakeholders during the consultation process. However, we still remain concerned about:

- the possibility, envisaged by Art. 31 (3), for TSOs to combine different WDOs, which could eventually lead to the proliferation of different WDOs, thus endangering the efforts towards a major European harmonisation;
- the possibility, envisaged by Art. 31 (4), for TSOs to apply different WDOs to distinct categories of entry/exit points, which would lead different users to face different incentives/constraints and thus to act on a non-level playing field.

Neutrality arrangements

We are concerned that general provisions on credit risk management arrangements (Art. 37) could put an excessive burden on network users in case of default attributable to a network user. We therefore ask for the Code to establish a role for the TSO to monitor and prevent possible situations leading to the financial exposure for the system.

Information provision

Although we appreciate the improvement of information provision's practices introduced by the network code, we would like to express once again our preference for having a stricter requirement to progressively improve the detail and granularity of information, in particular for IDM customers.

Implementation – Interim steps

EDF welcomes the ENTSG proposal to introduce interim measures for 5 years. However, we consider that this is not suitable for **tolerances that should be authorized as long as the conditions set in article 49(v)-1 (liquidity and information) are not met.**

Question 3: Do you believe that the eventual implementation of the refined draft Network Code will enhance the functioning of the internal gas market?

Yes

Comments: EDF believes that the implementation of this Network Code allowing for more harmonisation of the different balancing regimes in place in Europe in order to reach more transparency and market-based approaches will enhance the functioning of the internal gas market.