

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: Helen Stack

Organisation

Company/Organisation Name: Centrica Plc

Job title: Commercial Manager, Regulatory Affairs

Contact details

Email: helen.stack@centrica.com

Tel: +44 1753 431263

Mobile: +44 7979 567785

Address

Street: Millstream, Maidenhead Road

Postal code: SL4 5GD

City: Windsor

Country: United Kingdom

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. This is essential for the development of a properly functioning market.

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: It provides a minimum level - some additional harmonisation would be useful setting out the standard characteristics and access rules for a VTP. For example, that there should be a single VTP per balancing zone.

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.

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, but it is essential that stakeholders opinion is sought as part of the review process. We suggest

deleting the words “where and to the extent possible” in Article 11.2.

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: Yes, but only as a transitional measure. We agree with the concerns raised by the network users associations about this reducing the availability of cross border transmission capacity. The Network Code should focus TSOs on trading in their local within day market, except where the balancing zone has been extended through cross-border balancing zone mergers.

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

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 to both points. This will help promote liquidity.

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, exchange based trading may not be appropriate for less developed markets.

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: Yes, further details should reflect the requirements of the local 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?

Response: 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?

Response: Yes, although the requirement to prioritise title market products should be strengthened.

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:

(1) The criteria seem reasonable at a high level, assuming they relate to the initial procurement of Balancing Services.

(2) In 16.3, the NRA should be involved in ensuring that the use of Balancing Services is reduced and the TSO should inform stakeholders of its progress in meeting the objective of gradually reducing the use of Balancing Services over time.

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:

Yes, the TSO is best placed to propose an initial mechanism to be approved by the NRA. But, the NRA approval process needs to ensure that the mechanism truly incentivises efficient actions by the

TSO and does not lead to excessive rewards. The NRA should be empowered to propose an alternative methodology for the incentive mechanism if the TSOs proposals are not appropriate.

There must be detailed consultation with stakeholders by both the TSO and NRA throughout the process.

Question 15 – Do you consider that the procedures set out in the Draft Code (excluding timing, which is covered below) for the submission of nominations and re-nominations, and the criteria for their rejection, are reasonable? If no, please present and justify your preferred alternative.

Response:

In principle yes, but as the text is currently written there is too much discretion for the TSOs to reject nominations.

CHAPTER V. NOMINATIONS

Question 16 – Do you agree with the schedule for initial day-ahead nominations set out in the Draft Code? If not, please give a reasoned alternative schedule.

Response:

The TSOs should work on the reduction of the time take for nominations and matching processes.

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

Response:

The lead time of 2 hours should be considered a maximum to be reduced as soon as possible. Shorter lead times are needed to support efficient trading and security of supply.

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:

These seem reasonable, but the Code should specify the length of the transitional periods and all transitional measures should be subject to NRA review.

CHAPTER VI. DAILY IMBALANCE CHARGES

Question 19 - Do you support the Daily Imbalance Quantity determination proposed in the Draft Code? If not, please indicate your preferred approach and supply further rationale and

evidence of the benefits of Daily Imbalance Quantities being derived on information based during the Gas Day?

Response:

Yes

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

Response:

The weighted average price should **not** include locational or temporal products.

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:

No – not in the target model where only prices derived within-day should contribute to the Marginal Price.

Incorporation of day-ahead trades could be considered only as a transitional measure in less-developed market. Subject to NRA approval they could be used for a limited time period whilst there is insufficient liquidity intra-day in very underdeveloped markets.

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:

Trades should be sourced from one single wholesale trading platform per market area.

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 small adjustment should be designed to encourage trading for self balancing in the local market. There should be further stakeholder consultation on the determination of the small adjustment and there must be a mechanism to allow the small adjustment to be reviewed – and altered if appropriate.

It is difficult to value 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:

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:

Broadly yes, recognising that these are very high level criteria.

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

Response:

Network Users may need additional data to that specified in 33.1.b – in assessing the possibility of introducing (or keeping existing) WDOs the availability **all** information needed by users should be considered. Consideration should also be given to the access that network users have to the tools needed to comply with WDOs.

Question 27 – Do you find the respective roles of a TSO and relevant NRA(s) appropriate in the approval of any WDOs? If not, please explain why and how you would re-define the roles.

Response:

Yes.

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.

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:

Yes as it allows for local circumstances. The TSOs should consider the impact on the development of market liquidity and competition as well as the reduction of cross-subsidies.

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.

Response:

We would expect the level of granularity to reflect the basis on which neutrality is charged i.e. if it is charged daily the information should be provided at a daily level etc.

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 we do not support the use of multiple pots as this creates complexity and could harm development of the competitive market.

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

Response:

We do **not** support multiple neutrality pots.

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.

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:

No. It would be better to keep neutrality separate.

If the neutrality costs were significant the resulting changes to transmission tariffs could distort cross-border trade in the same way that Transmission Operator (TO) commodity charges have in the GB market.

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:

Yes. But additional information will be needed where WDOs are in place.

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:

Yes and a consultation should take place where Variant 2 is already in place.

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:

Yes.

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 to both. The granularity of information flows also need to be improved in some systems. Greater granularity helps network users self balance within the day and improve forecast requirements to balance for following days.

Question 41 – Do you consider that Transparency Guidelines requirements are sufficient to deal with system information? If not what should be included and what is the justification?

Response:

Yes, where they are properly implemented.

Improvements are currently needed in the provision of within day system status and line pack information.

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

Response:

Yes, for daily balancing regimes without additional WSOs. Further information will be required for users to operate in a system with WDOs.

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, but linepack should firstly be used by the TSO for balancing the system during the day for the collective benefit of all users and only be offered if spare linepack is available.

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:

This can be determined on a local basis in consultation with stakeholder.

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:

Whilst the elements of the balancing regime that are determined locally should reflect the level of access to short term gas flexibility, the Balancing Network Code is not the place to set short term gas flexibility access rules.

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:

We are not clear what this question is asking.

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.

Question 48 – In your view, should the reduced exposure involve the application of an average price? If not, please explain your rationale and provide your preferred approach.

Response:

Yes.

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.

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?

Response:

Yes.

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 ENTSOG 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 ENTSOG should consider as it develops the Balancing Network Code?

Response:

- No, but there should be further discussion of how WDOs can be assessed and implemented on a consistent basis (where needed to support daily balancing) as well as the additional information that users will require to comply with WDOs.
- Dedicated gas interconnector pipelines (such as IUK and BBL) may need to be allowed some flexibility in the application of certain parts of the Balancing Network Code, which is primarily designed for more complex networks comprised of multiple pipelines and entry/exit points. This issue has not been discussed in detail during the Framework Guideline and Network Code development processes.

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 was very helpful.