

- 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: Carmen Vindel

Organisation

Company/Organisation Name: Gas Natural Fenosa

Job title: Head of International Regulation

Contact details

Email: cvindel@gasnatural.com

Tel: +34 91 589 28 39

Mobile:

Address

Street: Avenida de San Luis 77 edif H planta 3ª

Postal code: 28033

City: Madrid

Country: Spain

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, the implementation of a virtual trading point within an e/e system at which any network users, can exchange gas is key for the development of a functioning wholesale 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:

Regarding trade notification and allocation scheme, the draft code does not provide sufficient harmonisation. It should be determined:

- the obligation to establish a single Virtual Trading Point per Balancing Zone and
- the obligation for each TSO to grant access to the VTP as soon as a network user has either acquired system entry capacity or has the right to deliver gas to a customer within the balancing zone.

In addition, Default rule should be also defined and harmonized in the Draft Code.

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. This timescale is consistent with the timescale for ENTSOG developing its Ten Year Network Development Plan which may also be a relevant factor in identifying opportunities to further integrate European gas markets

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:

Although we agree with the proposed review process in general, we think that ACER and NRA's should have a higher involvement in the review process identifying opportunities and driving the road map to integrate European gas markets.

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:

TSOs should not be allowed to trade in adjacent markets under any circumstances in order to not withhold capacity from network users and to comply with Regulation 715/2009. Therefore, it should not be considered an option for TSOs .

More precisely, the following cooperation mechanisms should be considered as part of a roadmap to reach the final target of merging entry and exit zones:

- TSOs to act as intermediaries to facilitate access to flexible gas in adjacent markets: This should be an interim measure since it is against the general principle of minimizing the TSO role so that network users take primary responsibility in balancing their portfolios.
- Netting imbalance between adjacent balancing zones: According to FG, TSOs shall cooperate to integrate European gas markets by merging Entry and Exit zones wherever this is technically feasible and economically reasonable. If imbalance netting is technically feasible, merging zones is also feasible. Therefore, why not develop a plan for moving away from this previous step of imbalance netting to the final objective of cross-border balancing zones? Cross border balancing, should only be undertaken as part of a pre-defined plan to merge entry and exit zones or create cross-border balancing zones and to the extent it is technically feasible and economically reasonable.

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: No it doesn't include security of supply which should be taken into account for balancing purposes

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:

We only agree with proposal (1). We don't want to have too many products which can lead to make more complex the spot market if too many products are proposed and therefore in competition. WD, Peak and Off-Peak products seems to be sufficient enough.

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 order to be more transparent we think it is better that the TSO and the TPO use an exchange based trading

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 be defined in the light of specific market circumstances. With regards to block sizes for example, the existence of small and medium sized trading counterparties who can possibly trade only smaller block sizes is crucial for the definition of a standard minimum block size.

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:

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:

No, the draft wording is not sufficiently clear. It is vital to amend the draft with a clear priority rule stating that within-day STSPs have to be used before ahead STSPs.

The merit order should be binding and the use of balancing services should only be allowed in some specific cases defined by the Network code. These cases may be emergencies or lack competitive offers to make market transactions in the trading platform. Moreover, TSO should inform about each balancing action taken and provide justification of its choice

The code should specify the range of products that could be used by TSO as 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:

(1) We agree with the criteria stated in the Draft Code but it shall consider proper supervision by relevant NRA'S.

(2) The gradual reduction of the use of Balancing Services is important.

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 be consulted with stakeholders before NRA approval.

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:

TSO should not be able to reject nominations/renominations because of physical congestions. No exceptions should be permitted because it would undermine the concept of firmness. Physical congestions should be managed by TSOs through market based mechanisms like buying/selling locational market products or using balancing services.

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. FG point out the importance of provide information in a timely manner. However, according to chapter IX of the Code, information about demand will not be provided to network users until 12:00 UTC on gas day D-1. This means that if the nomination period finishes at 12:00 UTC on gas day D-1 as set out in article 20, users won't be able to submit nominations taking into account this demand 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.

Response:

The lead time of 2 hours is as a maximum lead time sufficiently short to enable flexible responses to most operations today. With gas fired power stations increasingly providing back up for intermittent renewable energy sources shorter lead times will be necessary to support the objectives of the EU energy roadmap 2050.

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:

Check issue with interconnection point linked to in the same time to a daily balancing regime and an

hourly balancing regime

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:

No, it shouldn't be taken into account in order to make more complex the system

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:

The marginal price shall incentivise network users to balance their inputs and offtakes. As network user balancing actions can by definition only be undertaken within-day, only prices derived within-day should contribute to the Marginal Price.

The Code should include the methodology to calculate the marginal price in case that no transactions have been made in the short term market

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. TSO should be obliged to use either an exchange or a balancing platform for balancing actions. We believe TSOs should not trade OTC since transparency and integrity over imbalance price setting will be undermined.

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:

Be sufficiently large to 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:

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:

Within-day charges should only be levied on network users when, as a result of their non accomplishment with within-day obligations, the TSO to take an action.

The code should clearly state that within-day obligations cannot apply in current daily balancing systems.

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

Response:

Further guidance about the prerequisites that have to be put in place for certain types of within day obligation is 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:

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, sooner the better

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.

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

Response:

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:

Daily is probably the best way in order to be market reflective

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:

No. To consider different pots and network user classes could lead to tailor-made allocation mechanisms of neutrality charges which penalize some network users and favour other ones. The allocation should be done proportionally to the use of the transport system.

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

Response:

n.a.

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:

Yes.

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.

Response:

We suggest clarifying that these models apply only to daily balancing regimes without additional within-day obligations. “Since within-day obligations should only applied to certain models very inflexible”, where within-day obligations are applied, additional and more frequently information must be provided to network users regardless of any cost-benefit ratio.

The code should clarify that the information provided by the DSOs/TSOs is an additional tool for helping network users to balance their portfolios but it will not be binding. Each network user is responsible for balance its own demand.

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 think consultation processes are the best way for all stakeholders to explain their opinions, we see no reason why it should only be used for Variant 2. We believe that in any change of model a consultation should take 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:

We do support that the CBA should not only consider the information frequency but also the time taken to provide that information, both variables are crucial for Costs and benefits.

The CBA should take into account who benefits from more and more frequent information and who supports costs, in order to guarantee regulated revenues include those impacts. The regulation should assure that those who have the costs are reasonably remunerated.

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:

We think timing could be set by the NRA at national level, depending on the model chosen, on the information party appointed, on the real needs of each system, and on the volume of intraday metered customers / daily metered customers and non daily metered customers. Fixing timing for forecasts depends on when needed data for the forecast is available. Fixing IDM timings is even more difficult, as the “Supporting Document for Public Consultation on the Draft Code on Balancing” states *“this may seem an excessive time to deliver such information and indeed is unlikely to be required in many systems. However some systems require a much greater time due to complexities involved”*. Leaving timing at national level allows to find the best solution for each particular system

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:

No. For example, system status or line pack information is not provided by the majority of ENTSOG members despite it being almost unanimously perceived as crucial for a robust within-day price formation. Furthermore, real time flows keep being only rarely published although essential for network users to determine not only the risk of interruption but also the most efficient way to balance a system.

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

Response:

We believe the proposal of the three models is in line with the input information requirements set out in the FGs. The purpose of providing network users with useful information is fulfilled. The code should clarify that the information provided by the DSOs/TSOs is an additional tool for helping network users to balance their portfolios but it will not be binding. Each network user is responsible for balance its own demand.

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:

n.a.

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:

Measures to assess the liquidity of the market are : (i) WD volume traded vs. consumption; (ii) Market depth; (iii) Average Bid/Ask spread

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:

LNG is a global commodity and its price is determined by global fundamentals. Therefore, the scope for efficient contractual arrangements might be limited.

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:

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:

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:

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:

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:

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.).

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CHAPTER II. BALANCING SYSTEM	
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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:

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:

The supporting document was extremely helpful to understand ENTSOG's motivation.