

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.

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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: VNG agrees with this opinion.

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 good basis for harmonisation, but we think trade notifications should only be expressed in kWh/h to avoid rounding problems and to give the opportunity to Network users to balance their portfolio by cross border transactions.

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: We appreciate the regular review by ENTSOG.

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: We appreciate the proposed review process (including the issuing of a report (in the public domain)).

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: We do not agree. In our view it is the primarily role of the shippers to trade in the markets and the role of the network users to book and use capacities between adjacent markets. TSO should regularly publish relevant information about vacant capacities and required balancing products.

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: We agree with the expression.

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 agree with the choices given in the Draft Code.

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: We agree to leave it to the discretion of the TSO where to trade. Important is the fact that the TSO purchase required balancing energy at the lowest costs and in a market based manner through transparent and non-discriminatory procedures. The network code should allow only one (1) trading platform in each balancing zone to avoid splitting liquidity.

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: The block size for traded products to be offered via the trading platform should be formed in a way to enable a wide range of market participants to take part in the trading activities. Therefore the size should not be too high.

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: VNG 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: VNG 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: VNG supports a transparent merit order list that shows which balancing products are finally used. The use of short term products at the lowest costs and in a market based manner should have priority.

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: We think Balancing Services could be used when short term standardised products would not enable the TSO to keep the transmission system balanced in the most economic and efficient way. On a market in transition the amount of standardized products offered might not be sufficient to address the balancing needs. Hence, additional balancing service substituting standardized products, e.g. flow commitments might be required. When additional Balancing Services are needed TSOs should publish their requirements on a market based manner. We believe that due to the increase of the liquidity of the wholesale market the number of suitable short term products which fit the economic and efficient criteria of TSO increases.

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: We agree with the draft 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: As mentioned before we advocate to (re-)nominate only in kWh/h to avoid rounding problems between adjacent TSO and to avoid change of expected gas flow before the beginning of the re-nomination cycle. Rejections because of physical constraints (force majeure excluded) or expected negative Implied Nomination Flow Rates should not be performed since TSOs should use Balancing Accounts to ensure system integrity and to cover such changes in gas flows.

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: We do not fully agree with the proposal set out in the draft code. The initial day-ahead nominations should primarily be linked to the timing of allocation data sent out to the shippers by the TSOs. In our view TSOs should be able to submit allocation data in a timeframe of up to four (4) hrs after end of Gas Day which is 10 hrs CET. Shippers can then place their initial nominations two (2) hrs after reception of allocation data which would be 12 hrs CET. This process allows sufficient time to undertake DA-auctions or even a separate process for interruptible capacities in the afternoon.

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: We do not fully agree with the proposal since it is unclear why Re-nominations should only be allowed once the confirmation deadline has passed. Re-nomination period should start right after Nomination Deadline without revising the Initial Nomination as basis of the Confirmation Notice starting at 4pm.

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: As mentioned before we do not see any need for specific features on nominations (respectively re-nominations) for transition, system integrity and daily-hourly regimes. Nominations should only be done in kWh/h. TSO should use Balancing Accounts to ensure transition. It is the role of the Network Users and shippers to balance their portfolios and therefore to ensure the system integrity. The Imbalance Charge should encourage the Network Users to balance their portfolios and to develop liquidity in the market.

For the nominations at cross border points to non ENTSG Members specific features should be adjusted by the relevant NRAs and TSO attending the non-discriminatory and transparency principle of the Network Code. The proposed timeline for the termination of interim measures no later than five (5) years after the coming into force of the Network Code is considered too long.

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: We support the Daily Imbalance Quantity determination as described.

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 derivation of the Weighted Average Price should exclude Locational and Temporal Market Products. The use of these products is not necessarily caused by the imbalanced Network User of the Gas Day. Locational Products are customarily used to keep the Transmission System within its operational limits. Their costs should be socialized by the means of the settlement neutrality mechanism.

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: We do not agree. The Weighted Average Price, Marginal Buy Price and Marginal Sell Price should only be calculated on a basis of within-day Title Transfer prices, because of the suggested Daily Imbalance Regime. If the imbalanced Network User had used within day title market products, he would have avoided the imbalances.

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: The source of trades for control energy should generally be the spot market to support a high level of liquidity in the market. As mentioned before TSOs should purchase the required balancing energy at the lowest costs and market based through transparent and non-discriminatory procedures. As said earlier, a balancing platform for flexible gas (internet portal) may be necessary to procure locational and/or temporal products. The TSO should be able to prove to the NRA that procurement of flexible gas through the portal or other balancing services (e.g. min flow obligation) was necessary. The balancing platform should be compatible and/or harmonised with existing trading platforms.

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 effect of small adjustment should be to encourage the Network Users to keep their portfolios balanced. The small adjustment should avoid that the Marginal Price is an attractive option for Network Users to optimize their portfolio.

The “small adjustment” should set incentives for the shipper to balance its portfolio. It should prevent situations in which the purchase of balancing energy from the TSO becomes the most attractive supply option for the shipper. Thereby the “small adjustment” also indirectly reflects the value of physical flexibility as every shipper would have to pay a price higher than the hub price for a fully flexible product to balance its portfolio.

However there is no definition what “small” means in this context. The adjustment should not be higher than for the purpose needed. Additional revenues for the TSO should be avoided.

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: We do not agree, because it is unclear, what is meant by the impact of the small adjustment on cross-border trade (see support document page 47).

If the TSO does not undertake any balancing actions, the small adjustment has to be sufficient to still provide an incentive for the shippers to balance their portfolios.

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: WDO should only be used to ensure the technical system integrity. They should be minimized and harmonised European-wide. The Daily Balancing Regime must not be contested. We think that the Network Code has to charge accurate and prompt information from the TSO for relating Network Users Within Day position before introducing WDOs.

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: All market participants should be involved in any consultation regarding WDO.

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: For us the period of six months seems to be appropriate but a buffer of three additional months for complex cases where the period is too short should be granted.

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: We agree.

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: Balancing Neutrality Charges should be minimised. Network Users should have enough information to balance their portfolio so that TSO only have to use residual actions to manage disparities in the transition system.

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

Response: Due to the principle of transparency the calculation of the Neutrality Charge should be published. It must be shown that double counting costs are not charged. The German approach to fix the neutrality charge in advance with an adjustment every 6 months may serve as an example.

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: A daily breakdown of the elements of the Balancing Neutrality Costs should be published at least after every quarter of the year.

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: We do not agree due to the non-discriminatory principle. The main objective should be to avoid any charges and additional costs for the network user and allocate the remaining costs in a nondiscriminatory manner.

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.n.

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: We support the level of specification as set out in the paper.

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: We do not agree with the proposed alternative. Costs/revenues from balancing activities are not related to transportation capacities but to portfolio balancing activities of the shippers. Therefore the neutrality sums shall be shared based on the actual gas flows and imbalances of the shippers and not on the transportation capacity holding.

We like to emphasize that in the German Balancing system transmission activities and portfolio balancing activities are part of different market roles. As the BKV is responsible for the portfolio balancing activities, the transmission activities are the responsibility of the shipper. Therefore neutrality sums shall be shared based on the allocations of the shippers.

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: As mentioned before, TSOs should provide accurate and prompt information intraday in appropriate intervals, meaning at least twice a day on the individual shipper inputs and offtakes where needed as well as on the expected usage of flexible gas.

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 on their own detailed balancing status including metering and allocation data etc. Interactions with transparency guidelines are to be considered. We see the need for additional information, such as information about intraday balancing status, in particular if WDO will be implemented. That means in case within-day obligations are applied, there will be a need for additional and more frequent accurate information on offtakes (and inputs) to be provided to network users.

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.

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 support such a CBA.

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 agree with the provision of guidance on timing of information flows. As mentioned before we advocate multiple information flows as soon as possible after gas flow preferably no later than 4 hours after the end of the day to enable the Network Users to accurately balance their portfolios. Intraday information should be published at least twice a day. First information should take place no later than ten (10) hours after the beginning of Gas-Day showing the first six (6) hours of the Gas-Day and a second information should be submitted no later than 16 hours after the beginning of the Gas-Day showing the first twelve (12) hours of the Gas-Day.

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: For a future approach the system information should be published in an aggregated and evaluated form on a single platform, therefore the shippers can keep track of the system status.

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

Response: We agree. However we would like to refer to the answer to question 37 that additional information for the shipper is necessary, if new WDO will be implemented. With regard to forecasting and allocation of NDM off-takes, there should be a consultation on load-profile methodology.

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: In our view the additional criteria of a Linepack Flexibility Service are sufficient. We would like to stress that where Linepack Flexibility Service is offered it must not adjust the level of system integrity.

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 suggest to discuss with the stakeholders on the criteria given in the supporting document on page 79.

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: We suggest to discuss on the frequency of step change. The frequency should follow the implementation and development time of the needed IT-products.

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 do not understand this question. Also LNG terminals are part of flexibility products for Network Users.

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: We do agree. Tolerances should be granted to Network Users reflecting the level of information and the availability of flexible gas. In a market with prompt and accurate informations and a high level in liquidity of flexible products should not be given any tolerances.

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 it should be handled this way.

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: We support the Draft Code in ensuring timely phase-out of tolerances. To increase the accuracy of forecast information provision, especially NDM offtakes, the TSO should be encouraged by a charge model close to the German model.

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: From our perspective the day-ahead forecast system as defined in Variant 2 is an appropriate measure at this point in time to reduce the risk in servicing NDM demand. As mentioned before the Draft Code should provide an NDM Forecast Quality Charge Model similar the German Model to encourage the TSO to forecast as accurately as possible.

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: We do agree.

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: We do not agree, because the prices transacted on the Balancing Platform are for locational gas or temporal gas, and the cost arising from the use of these products is not directly attributable to the shippers' imbalance position at the end of the day. As mentioned before, local products are typically needed to overcome internal congestions and therefore they should be socialized by means of the settlement neutrality system. It may be, however, that some Balancing Platforms will offer reliable reference points. Perhaps, therefore this decision should ultimately be left to national level decision, with stakeholder involvement.

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

Response: We do not see further steps.

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: We do not have any further proposals on this point

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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CHAPTER IV. OPERATIONAL BALANCING	
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In our view it is appropriate.

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.

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 useful and helpful.