

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:

Organisation

Company/Organisation Name: NEAI

**The National Electricity Association of Ireland (NEAI) is the trade association for the electricity industry on the island of Ireland (Republic of Ireland & Northern Ireland), representing generators, suppliers and distribution system operators. NEAI is the local member of Eurelectric.*

Job title:

Contact details

Email: Stephen.Douglas@neai.ie

Tel: 00353 1 7027605

Address

Street: 39 Merrion Square

Postal code:

City: Dublin 2

Country: Ireland

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. Establishing a Virtual Trading Point within each Balancing Zone via the inclusion of the Trade Notification and Allocation scheme in the Balancing Network Code underpins the concept of an entry/exit system and is a vital step towards encouraging competition and liquidity.

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: Yes. For completeness however, Trade Notification could be included as a defined term.

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.

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: The code should neither exclude nor promote cross-border TSO balancing. Cross-border TSO balancing is currently mentioned as one possible option which could be included in a TSO's proposals for integrating its entry/exit system with that of an adjacent TSO, and should be considered in that context.

We suggest deleting Article 10.8. rather than trying to define specific circumstances when cross-border TSO balancing should be allowed. To the extent it is relevant to the TSO's proposals to integrate its entry/exit system, this will need to be properly justified and consulted upon as part of these proposals. If accepted by the NRA we are not aware of anything else in the Balancing Code which would prevent it being applied.

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.

Furthermore, it is essential that TSOs provide maximum transparency about their Balancing Actions. This will better inform shippers about how to structure their bids/offers and enable them also to judge whether these requirements are being met. It is also necessary to enable parties to assess adherence to the criteria of economic and efficient Balancing Actions.

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. This should help concentrate liquidity in these products, although Temporal Products (particularly Temporal Market Products) will only be necessary, or effective, when within day obligations or variant t 1 of the information provisions apply. To the extent a TSO requires products over and above the defined Short Term Standardised Products to balance its system, Article 5.1 allows for these to be introduced on a national level.

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.

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: Broadly yes as we think these are best left to national determination in order that they may reflect local market circumstances.

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. Network users should have primary responsibility for balancing the system, with TSOs having only a residual balancing role.

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. In general we think TSOs should only accept bids/offers rather than post them themselves. Therefore, the TSO should never be the Originating Party and so only shippers would be obliged to renominate (other than in response to emergency or system security events).

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.

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: Actions need to be economic and efficient and should not enforce added costs on shippers and/or customers. It is not clear whether these criteria apply to the procurement of Balancing Services, or the use of a previously procured Balancing Service in preference to a Short Term Standardised Product, or both. Lack of liquidity and the cost of balancing could be seen as a single criterion, as a high cost could be the consequence of the lack of liquidity. Also, some of the criteria described may be related to the need to use Locational or Temporal Products. As previously stated, cost should not be the only reason for preferring a Balancing Service to a Short Term Standardised Product. Accepting higher priced Short Term Standardised Products will demonstrate the TSOs commitment to use these products and encourage other shippers to offer. As regards the gradual reduction of Balancing Services as the liquidity of the wholesale market increases, this is to be welcomed. However, the draft Code does not specifically say this and refers instead to the TSO reviewing its use of Balancing Services each year to assess whether Short Term Standardised Products would better meet its requirements for the next year. Whilst it is hoped such

reviews will lead to a gradual reduction of Balancing Services, the Code should specifically reference the need for a gradual reduction linked to increases in wholesale market liquidity. Along with details of the Balancing Services procured and the related costs incurred, TSOs should also publish their justification for the quantities of Balancing Services procured.

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: The Code should make provision for respective NRA's to either request TSOs to submit an incentive mechanism for their approval or introduce one themselves. Regardless of the option chosen, the incentive mechanism should be subject to full consultation. Incentive mechanisms should be used to improve the accuracy of demand forecasts, as network users are dependent on these for efficient self-balancing.

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: Yes.

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. Whilst we recognise that the Code cannot apply at non-Interconnection Points and Interconnection Points with third countries, the fact that these supply sources might adopt different nomination timescales will lead to operational inefficiency. As such we think that TSOs (and possibly NRAs) should also be subject to a reasonable endeavours obligation to harmonise this nomination timescale across all national entry points.

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: Yes. However, it may not be necessary to include a rule in the Code which prevents renominations being made prior to the Confirmation Deadline. Renominations prior to this time are currently allowed in some systems but processed immediately afterwards.

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: We support the possibility for some systems to introduce transitional measures in order to move towards the target of day ahead nomination and continuous renominations throughout the day. Concentrating nomination/renomination in specific temporal windows could help to stimulate liquidity in these distinct periods, at least during the early period of implementation of the new balancing regime.

Transition should take into account the cost and organisational impacts on shippers (particularly small players).

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, although the basis on which a TSO calculates the Daily Imbalance Quantity should be transparent.

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: These product should only be taken into account in the pricing of products where they are the predominant balancing products and reflect the true cost of balancing 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: We agree that day ahead (and weekend) trades should feed into the Weighted Average Price. There may be a case for excluding them from the Marginal Buy/Sell Price so that these exclusively reflect the cost of any TSO within-day Balancing Actions necessary. However, in mature balancing regimes with liquid within day markets the use of day ahead (and weekend) Balancing Actions should be very low and so this may not be a prime consideration.

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, the source of trades should be left to local discretion.

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 have both effects, meaning it should be wide enough to encourage trading by discouraging shippers to be imbalanced, but it should also reflect the value of alternative sources of 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, the impact on cross-border trade seems a reasonable criterion to be added, particularly as integration of balancing zones is one of the medium-term objectives to complete the single market. We also think the criteria are sufficient.

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: Yes the criteria should, if strictly observed, ensure TSOs only introduce Within Day Obligations which shippers are able to comply with and which do not distort the market. Specifically with respect to Article 34(2), should the NRAs reject a proposal from the TSOs but be delayed in the preparation of a reasoned opinion, it would be absurd that the proposal would have deemed approval. Decisions from the NRA should be made within 6 months and be supported by reasoned opinion either at the time or within a defined and timely period following the decision.

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

Response: No.

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. It is important however, for balancing costs to be fully transparent to network users and for the methodology on how to apportion neutrality charges to be fully consulted upon - this is best left for national determination..

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

Response: We think the Code should be more specific, so that network users have transparency over the full costs of the balancing regime in place and can estimate the magnitude of any potential cross subsidy and double counting. Where neutrality costs are substantial, an element of predictability will be necessary such that network users can incorporate them into their on-going cost assumptions.

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: TSOs should be required to publish data showing, for each day, each element of neutrality (e.g. aggregate costs/revenues associated with TSO's balancing actions and any Balancing Services used, aggregate costs/revenues associated with end of day settlement, other costs etc.) and data pertaining to how these costs will be apportioned (e.g. system throughput). This will ensure shippers have full visibility over how their share of neutrality charges has been calculated. This will enable them to reconcile neutrality invoices, which should be submitted within in the same timeframe as invoices for Imbalance Charge

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: Pots may introduce a complexity that could outweigh the benefits. It is difficult to understand how this could be implemented on a transparent and non-discriminatory basis.

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 see response to Q33

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 is important for shippers to understand the costs/revenues being generated through balancing neutrality and for these to be charged separately to transmission revenues in general.

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.

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.

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. Accurate and timely information is essential for shippers to balance their input and offtakes within the gas day. The more accurate the information is, the more precise the balancing policy of the shipper serving these customers can be.

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: The Code should provide guidance and we support the proposals set out. It should be clear however, that two updates per day should be considered as a minimum. Where TSO's/DSO's need to introduce new systems to provide within day information, or adapt existing processes to comply with this minimum requirements once the Code takes effect, they should not limit their assessment to two updates if providing more frequent updates can be supported for limited incremental cost.

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.

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

Response: Yes.

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: We believe the criteria for linepack flexibility services are sufficient.

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: The Short Term Wholesale Gas Market is adequately defined in the Code as a market for Short Term Standardised Products. We do not think any further account or measures need to be provided for in the Code. NRAs should be capable of assessing the competition, liquidity and efficiency of markets, and indeed do so already using a variety of indicators and metrics.

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 agree with the introduction of measures to enable a wider access to short-term flexibility as specified in the Code, at least as initial measures to be applied in systems where liquidity is not developed enough and flexibility is generally held by incumbents. It may also be important to ensure sufficient flexibility is afforded to allow for additional measures to be implemented to address specific local requirements. Such measures should be subject to full consultation.

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 the question. LNG is a valuable source of flexibility and should be permanently included in all Balancing Zones regardless of size. If this is suggesting that TSOs in small markets should be allowed to procure LNG capacity to balance the system as a transitional measure, this should be assessed against the criteria for procuring Balancing Services.

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. Imbalance quantities within tolerance should be cashed out at average price thus reducing shipper’s exposure to true marginal prices for a pre-defined quantity of gas. This is a sensible interim measure to mitigate the costs of shippers’ imbalance exposures whilst markets may be illiquid, flexibility may be scarce and forecasts of input and offtake information may be infrequent or inaccurate. As part of the TSO Roadmap for NRA approval required under such arrangements, the most appropriate methodology for that gas market should be included.

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. Whilst TSOs use Balancing Platforms as the sole means for taking Balancing Actions it would be appropriate to consider these in interim cash-out price determination as they should better reflect the cost of balancing and incentivise shipper self-balancing that an administered or proxy price. Similarly, locational and temporal products may be appropriate to include in interim cash-out price determination.

However, even in developed balancing regimes, TSOs may need to retain Balancing Platforms in order to have access to Locational and Temporal Products, albeit the use of these products can be expected to diminish over time.

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.).

In number of areas the drafting is still quite imprecise and not entirely clear. Whilst it is generally prescriptive about the role of network users it seems less prescriptive about the role of TSOs. With this in mind, ENTSG should review the drafting to remove uncertainty and to enhance harmonisation.

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 ENTSG 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 helped in explaining the policy options considered and adopted by ENTSG and broadly reflects discussions that took place at the SJWS Workshops. In addition, a note of appreciation is warranted for the transparent, inclusive and cooperative nature of ENTSG's engagement with stakeholders throughout the process of development and consultation pertaining to this draft Network Code.