

## 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](mailto:info@entsog.eu) by 17:00CET on June 12<sup>th</sup>.

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:

**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:

## **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:

**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:

## **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:

**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:

**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:

**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:

**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:

**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:

**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:

**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:

**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:

**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:

## **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:

**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:

**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:

## **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:

**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:

**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:

**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:

**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:

**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:

## **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:

**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:

**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:

**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:

## **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:

**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:

**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:

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

Response:

**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:

**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:

## **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:

**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:

**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:

**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:

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

Response:

## **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:

## **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:

**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:

**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:

**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:

### 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:**

In general, BBL Company (BBLC) is of the opinion that (i) this Network Code should not apply to interconnector operators also due to the different operating nature of an interconnector compared to a transmission network and (ii) that this network code is missing a provision with regard to exempted projects.

- (i) Chapter 5.2.2 of the Supporting Document for Public Consultation on the Draft Code on Balancing confirms this view by defining a Balancing Zone as an entry / exit system in which there is no link between entry and exit when booking and no link between entry and exit when using the capacity. To the contrary, there is a one-on-one relation between entry- and exit capacity in case of a single pipeline. Therefore, an independent interconnector cannot implement an entry / exit system in which there is no link between entry and exit.

According to Article 1.1 of the network code '(...) the aim [of the network code is] to facilitate gas trading across Balancing Zones toward greater market integration.' Applying these rules to an interconnector would, in case of BBLC, not contribute to achieving this goal. In practice, implementing these rules would mean a step back for the network users of the BBL pipeline with regard to facilitating gas trading. For example, the current nomination and re-nomination procedures of BBLC are more extensive than the procedures as set out in the network code under Chapter V. For a single pipeline like BBL, where an entry- equals exit-nomination principle is applied, where possible differences between nominations and allocations are taken care of through an operational balancing agreement with the adjacent TSO on the one side and an in kind settlement procedure with the network users on the other side (instead of daily imbalance charges), applying this network code would not facilitate the trading of gas more when compared to the current modus operandi of BBLC. In fact, it would mean a step back.

In addition, from literal reading of the Third Energy Package it could be derived that an interconnector operator is not a transmission system operator (TSO) and thus applying this network code to interconnector operators could be inappropriate:

The basis for this network code can be found in the Third Energy Package (consisting of, amongst others, Directive 2009/73/EC and Regulation EC/715/2009). There, no specific definition is included for an interconnector operator. The Third Package does however distinguish between 'transmission', 'system', 'transmission system operator' and 'interconnector':

- Article 2.3 of Directive 2009/73/EC states that 'transmission' means the transport of natural gas through a network, which mainly contains high-pressure pipelines, other than an upstream pipeline network and other than the part of high-pressure pipelines primarily used in the context of local distribution of natural gas, with a view to its delivery to customers, but not including supply.

- A 'transmission system operator' (Article 2.4) means a natural or legal person who carries out the function of transmission and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission in a given area, and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of gas.

- Article 2.13 of Directive 2009/73/EC defines 'system' as any transmission networks, distribution networks, LNG facilities and / or storage facilities owned and / or operated by a natural gas undertaking (...).

- An 'interconnector' is defined (Directive 2009/73/EC, Article 2.17) as a transmission line which crosses or spans a border between Member States for the sole purpose of connecting the national transmission systems of those Member States.

The fact that an interconnector is defined separately, is not mentioned in the definition of a system, and that transmission is defined as 'the transport of natural gas through a network, which mainly contains high-pressure pipelines (...)' confirms the view that an interconnector is totally different from a transmission network. According to the definition, a network (consisting of several pipelines instead of one) is needed for the transmission of gas. Moreover, an interconnector is not defined as a system. Therefore, it would be inappropriate to argue that an interconnector operator is a transmission system operator (TSO) and thus applying this network code to interconnector operators would be inappropriate. Furthermore, it is obvious that this network code is written to be applied to transmission network operators rather than interconnector operators and it does not take into account the specific characteristics of an interconnector (which is a single pipeline).

In short, based on the definitions of the Third Package it would be inappropriate to regard an interconnector operator as a TSO. Consequently, this network code should not be applicable to interconnector operators. Not only based on definitions of Directive 2009/73/EC, but especially from an operational perspective an interconnector is totally different from a (national) transmission network. In practice, applying this network code to interconnectors, especially BBLC, would not contribute in any form to the achievement of the goal as set out in Article 1.1 of this network code.

(ii) In addition, BBLC firmly believes that a provision which explicitly addresses exempted projects is missing in the network code under Article 5 'Relationship with European and national legislation'.

Major infrastructure projects which have been granted an exemption under Article 22 of Directive 2003/55/EC (correlated to Article 36 of Directive 2009/73/EC) are exempt from the provisions of this network code and ENTSOG should make reference to this in the network code. In case of BBLC, an exemption has been granted based on Article 22 of Directive 2003/55/EC (part of the Second Energy Package). Consequently, BBLC is exempted from Article 25.2 of Directive 2003/55/EC which states: 'The regulatory authorities shall be responsible for fixing or approving prior to their entry into force, at least the methodologies used to calculate or establish the terms and conditions for: (...) b) the provision of balancing services.'

ENTSO-G should include a paragraph under Article 5 of the network code which states that already exempted projects are not subject to this network code (until expiry date of the exemption).

BBLC strongly believes that ENTSOG should consider two material issues as it develops the Balancing Network Code, namely introducing a provision which deals with the non-applicability of this network code to interconnector operators as well as a provision that states that this network code does not apply to exempted projects.

**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: