

## 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: yes but It may not be enough to really establish a Virtual Trading Point. Some others market features are needed : unrestricted entry / exit balancing zone, virtual hub and not physical, re-nomination to be able to developed within-day 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: yes

## **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: Yes, TSOs should be allowed to trade in adjacent market under specific circumstances. But in general, shippers should be in charge of gas flows from the cheaper markets to the more expensive ones using entry/ exit capacity from adjacent balancing zones. It is what they are doing in North West Europe region which leads to a correlation of the adjacent market prices.

**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 this should be the one of the guiding principles for TSOs when taking balancing actions. Nevertheless, it is important to recall that care should be taken so as to ensure system integrity, which necessarily relies on physical balancing tools.

**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

**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, one should leave the choice of the nature of the trading platform to the TSO and TPO. Criteria and factors to use an exchange are not needed.

**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

**Question 10** – Do you agree with the current level of specification in the Draft Code on contractual structure and arrangements between the different parties? What changes (if any) would you advocate?

Response: yes

**Question 11** – Do you agree with the choices in the Draft Code to put the obligation to (re)nominate on the Originating Party? If not, what would your preferred alternative be and what benefits would this alternative have over the mechanism proposed in the Draft Code?

Response: yes

**Question 12** – Do you concur with the sequence of the tools in the merit order and the level of guidance it gives the TSO in choosing the most appropriate tool? If not, which changes, if any, would you advocate and why?

Response: The competitiveness of each tool - including storage through balancing services - notably through cost efficiency analysis, is an important criterium to take into account.  
The STSP offered by the shipper will use different mechanisms including storage, flexibility of contracts and short term supply.

**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 support the market based approach for balancing however, some other criteria should be taken into account, such as security of supply, system integrity,....(2) Therefore, a gradual reduction of balancing services as the liquidity of the wholesale market increases could happen. If the market does not work correctly, balancing services may be used instead of STSP. Moreover backing up of balancing services is essential regarding security of balancing and other criterias mentioned above.

**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 idea of an incentive scheme designed by the TSO to reward efficient undertaking by the TSO of its balancing actions. But when designing this scheme, great care should be paid to preserve long term flexibility tools , which guarantee system integrity . Furthermore, it is important to remind that depending on the prices of the short term wholesale market, recourse to storage services may turn out to be more competitive.

**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, we agree with the schedule proposed.

**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, we agree with the schedule proposed which will enable network users to adapt their nominations each hour.

**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 :

For transition, we agree with Article 25.

For system integrity, we think the formulation must precise that the rules used by the TSOs have to be very detailed and public. For example, can the TSO reduce an offtake if this may cause an integrity problem to the adjacent network ?

For daily-hourly regimes we think that harmonised nominations are not desirable. Currently in the EU different balancing regimes are used, both daily and hourly. (Re-)Nomination in those cases is not a problem and difficulties in the future are not to be expected. Potential (re-) nominations issues can be solved by IT and will not change the characteristics of a national grid. It is these characteristics that should determine which balancing regime is most cost effective for a specific country.

## 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 if the information provided by the TSO to the shipper is accurate and done on a timely basis. Indeed, if during the day, a shipper has a wrong idea of its balancing position because of a lack of information it will not balance itself during the day but will be charged by the TSO the day after.

As long as the information provided by the TSO to the shipper cannot be accurate, the shippers should not have the obligation to pay any Daily Imbalance charges to the TSO.

**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

**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 calculation of Marginal sell or buy price taking into account the worst transaction of the TSO during the relevant gas day could be an issue in case of a non-liquid market. In that case :

- We agree that day-ahead trades could – and not „should“ - feed into the determination of the Weighted Average Price, the Marginal Price and the Marginal Sell Price. If the TSO forecasts an **important** imbalance the day before the Gas Day, strong signals should be sent to the shippers so as to incentivize them to balance their positions.
- But we must keep in mind that, in the general case, day-ahead trades are made for procurement and only partly for balancing purposes. Consequently, in the general case when TSO don't need to give particular price signal regarding imbalance, the Weighted Average Price should be mainly derived from within-day title trades because balancing is also a within-day activity.

**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, If the market is not liquid enough and/or the TSO is not enough confident in the market, there should be a balancing platform. Then, as the market develops, the balancing platform should be transformed into a trading platform (allowing trades between shippers).

**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: In market based balancing regime the imbalance charges should constitute a sufficient incentive for shippers to balance their portfolio. The market sets the price which will also reflect the value of the physical flexibility. The adjustment should be set so as reflect, at least, the smallest value of the physical flexibility and the liquidity of the market.

**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: yes

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

Response: no. However, we believe that ENTSOG should consider issuing a non-binding guideline accompanying the Code in which they expand on how the criteria for WDO as expressed in article 33 might be interpreted and make a provisional assessment of the existing WDO that currently exist throughout the EU against these criteria. This would assist TSOs and NRAs. It should also help reduce the potential for a proliferation of various different types of WDO being applied, as ENTSOG has decided not to specify harmonised forms of WDO within the code itself.

**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

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

Response: yes

**Question 32** – Please indicate the level of granularity you would expect in the context of the breakdown of net Balancing Neutrality Charges cash-flows from both a temporal (e.g. daily, monthly, annual) and cost/revenue element split.

Response: see answers to questions 33 and 34

**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: The shippers should have enough information available to analyse the causer of their imbalance. In case the forecast for certain end –user groups is provided to shippers (e.g. the DSO or TSO for Non Daily Metered customers) there should be a differentiated recovery by end-customers. Indeed and especially for “Variant 2”, the Neutrality charge may be important because forecast for Non Daily Metered (NDM) customers are not updated. So, to avoid cross-subsidies between different types of end-customers, there should be an attribution of the Neutrality Charges based on the principle “causer pays”. In practice, in the country where “Variant 2” applies, all or most of the others end-customers have opted out of the Neutrality charges not to pay for the NDM.



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

Response : by end-customers. Then the neutrality charge for each shipper will reflect its end-customers portfolio.

**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 because there will be a lack of transparency : neutrality charge represents, in a certain way, the accuracy of the information provision and so, should be monitored during the interim measures. Furthermore, there is a risk of cross-subsidies with an adjustment to transmission charges.

**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: yes , if Variant 2 is considered. We are of the opinion that Variant 2 should not be implemented, or only as a interim period, because it is against the balancing target model. Indeed, the imbalance position is set based on the day-ahead forecast : shippers' imbalance position will be small or zero whereas all the balancing actions taken by the TSO to cope with the difference between the day-ahead forecast and the real gas flow during the day will be charged to the shippers via the Neutrality charge. This will not develop within day market and, furthermore, most of the balancing cost will still be socialised within the Neutrality charge.

**Question 39** – Do you support the additional proposal that the cost-benefit analysis (CBA) should also examine the time taken to provide information to Network Users? Are there any other features that would strengthen the CBA process and why? If so, please explain why.

Response: yes

**Question 40** – Do you agree that the Balancing Network Code has to provide guidance on timing of information flows? If yes, do you agree with the proposals set out? If you do not agree with the Draft Code proposals what could the alternatives be and what would be the justification?

Response: yes in order to ensure that the timing is coherent with the needs of network users. Moreover, the harmonisation of this timing will favour cross border trades.

**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. On forecasting and allocating NDM Non Daily Metered off-takes on distribution system, there should indeed be a consultation or working groups involving the related parties on the load profile methodology. A timetable for an uniform implementation by dozen or even hundred of DSO or others forecasting parties should also be proposed during the consultation.

## **CHAPTER X. LINEPACK FLEXIBILITY SERVICE**

**Question 43** – Do the proposed additional criteria that a Linepack Flexibility Service has to meet complement those in the FGs to make a sufficient set of criteria? Or are additional criteria required? Please provide a reasoned response.

Response: yes especially g. “should not lead to an increase in TSOs Balancing actions”

## **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: it is a chicken – egg issue : within-day markets will not develop as long as shippers will not need them. For the time being, they have tolerances for their imbalance and /or no updated information to be able to or to want to take balancing actions.

The market will face the same kind of issue moving from Balancing Services to STSP, especially with the less liquid products, the Locational and Temporal Products .

There should be national consultations and timetable to reduce progressively tolerance and Balancing Services as confidence in accurate information is increasing.

**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: GDF SUEZ does not understand the question and where it comes from. A LNG terminal, as well as storage operators, is one source of flexible gas that is already used in a balancing zone. LNG facilities should be kept out of the scope of the balancing network code.

**Question 47** – Do you agree that the tolerance used should be a price based tolerance? If not please explain your rationale and provide your preferred approach.

Response: yes

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

Response: yes

**Question 49** – Do you support the Draft Code including provisions for the accuracy of forecast information provision to ensure timely phase-out of tolerances? If yes, explain how this can be best established.

Response: yes

**Question 50** – Does the Draft Code provide an appropriate mitigation of risk involved in servicing NDM demand? If not, please indicate an alternative approach and its rationale.

Response: yes except with variant 2 because a shipper will not be able to evaluate the neutrality charge it will have to pay to the TSO.

**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: yes, a better transparency.

**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: nothing to add

## **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.).

Yes	CHAPTER I. GENERAL PROVISIONS	
	CHAPTER II. BALANCING SYSTEM	
	CHAPTER III. CROSS-BORDER COOPERATION	
	CHAPTER IV. OPERATIONAL BALANCING	
	CHAPTER V. NOMINATIONS	
	CHAPTER VI. DAILY IMBALANCE CHARGES	
	CHAPTER VII. WITHIN-DAY OBLIGATIONS	
	CHAPTER VIII. NEUTRALITY ARRANGEMENTS	
	CHAPTER IX. INFORMATION PROVISION OBLIGATIONS	
	CHAPTER X. LINEPACK FLEXIBILITY SERVICE	
	CHAPTER XI. IMPLEMENTATION, INTERIM MEASURES AND ENTRY INTO FORCE	

**Question 56** – After reviewing and/or replying to Chapter 5 which follow, do you find that there are other material issues that ENTSOG should consider as it develops the Balancing Network Code?

Response: no

**Question 57** – Do you find that this supporting document for the public consultation was 'respondent-friendly' in terms of its readability, style, etc.? Please explain how we can improve future consultations.

Response: yes maybe too long and the supporting document goes sometimes too much into details.