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Swindon, 12/06/12

Draft Code on Gas Balancing in Transmission Systems - Consultation

Dear Nigel,

RWE Supply & Trading welcomes the opportunity to comment on the above consultation.

We would like to compliment ENTSOG on the extensive stakeholder feedback they have undertaken in drafting the code and in the thoroughness with which they have considered the various policy options raised throughout the development process.

In a market based balancing regime the primary responsibility for balancing the system rests with network users. Network users, in response to commercial incentives, should balance their portfolios of inputs and offtakes, with the role of the TSO being limited to that of a residual balancer, buying and selling gas in the wholesale market within day to ensure the system stays within its safe operating parameters.

The principle of "causer pays" should apply, and any imbalances at the end of the day should be financially settled at the marginal cost of a TSOs buy or sell actions within day. To the extent such end of the day cost targetting is not sufficient to prevent undue cross-subsidies occurring, TSOs should consider the need for within day obligations, or balancing neutrality pots, thereby appropriately targetting within day costs to causers as well.

When taking balancing actions, TSOs should be required to follow a merit order which induces them to buy/sell gas within day, at the more liquid virtual trading point as opposed to using locational products or balancing services. TSOs should ensure network users are provided with regular updates of their portfolio imbalance position throughout the day, and of that of the system as a whole. The more information they are able to provide the more network users will be able to efficiently self balance and the smaller the role of the TSO will be.

The code, as drafted, goes a long way towards fulfilling the requirement for efficient and harmonised market based balancing regimes across the EU. However,

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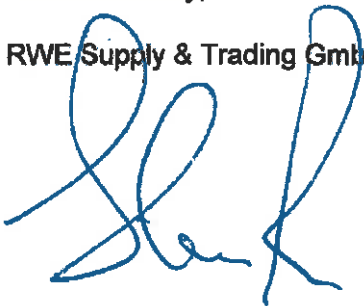
we believe there are areas of the code where the obligations on TSOs should be made more specific, and where further clarity is required. To this extent we attach, along with our response to the questions raised in the consultation, an appendix of suggested changes to the current drafting, along with an explanation of why we think these changes are necessary.

The extensive nature of these changes should in no way be seen as a criticism of ENTSOG's thoroughness or competence. We understand the difficulties involved in producing precise drafting in relatively short timescales that can be applied across the many different systems within the EU. However, we consider it vitally important that the code is clear in its meaning about certain key aspects of the balancing regime. Differing interpretations of what will ultimately be legally binding obligations is something which must be avoided and the more precise the drafting is now, the less likely different interpretations will occur in future.

Should you wish to discuss our response in more detail please do not hesitate to contact us.

Yours sincerely,

RWE Supply & Trading GmbH



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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: Yes. A virtual trading point is essential for developing liquidity within an entry/exit system or Balancing Zone. It allows market participants without access to physical gas to efficiently manage their portfolios and allows parties holding entry/exit capacity within the Balancing Zone to offer flexibility to the system, and its users. Markets will be most competitive and efficient where Balancing Zones incorporate both transmission and transit pipelines within a Member State and when they extend down to all end consumer exit points, rather than to exit points from the transmission system into a distribution system.

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: Largely yes. There may be merit in considering harmonising the rule regarding non-matched trade notifications, whereby non-matching trade notifications are always matched based on the "lesser of" rule rather than being rejected. Allowing this rule to be determined locally could lead to different rules applying in different interconnected markets, which would create confusion and errors, and matching on the "lesser of" rule minimises the consequences of any errors for network users. However, to the extent this will involve costly changes to existing TSO systems, harmonisation is not essential. We also question whether price needs to be included in trade notifications relating to TSOs Balancing Actions, to the extent such notifications are not issued by the Trading Platform Operator.

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. Undertaking the first review within two years, and thereafter biannually, seems appropriate bearing in mind the implementation timescales and timescales for phasing out interim measures.

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 only circumstance where a TSO should be allowed to trade in adjacent markets is when this forms part of an agreed implementation plan to integrate or merge markets. We have significant concerns with TSOs being allowed to trade in adjacent markets as a matter of course, even if this could reduce balancing costs.

Firstly, in order to do this TSOs will need access to firm or interruptible capacity which otherwise would be made available to network users. Even if TSOs are required to procure such capacity on identical terms as network users, which may not always be the case, TSOs are likely to have a greater level of information regarding system flows and the likelihood of interruption than network users.

Also, the fact that TSOs buy gas in a neighbouring market may create distortions. For example, if the TSO in market A buys gas in neighbouring market B because it is cheaper than in market A, this could push up the cost of gas in market B. As such, shippers in market B could reduce their flows to market A. If, however, the TSO in market A buys gas in market A this could increase price in market A and incentivise network users to increase flows from market B to market A.

Cross border balancing in whatever form, dampens within-day incentives on shippers to balance and should not be encouraged. To the extent there is evidence that network users are consistently failing to exploit apparent arbitrage opportunities between balancing markets, the circumstances should be fully investigated. It should not be assumed that just because this appears to be the case, TSOs should therefore be allowed to undertake cross-border balancing to address this perceived inefficiency.

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. We agree that TSOs should not only take account of the lowest price available when taking Balancing Actions and to this extent “economic and efficient” is a preferable criterion to plain “economic”. However, it would be prudent for TSOs (or ENTSOG) to also be required to publish guidelines informing network users about how they will interpret this principle. Such guidelines should refer to practical measures and examples of how TSOs might interpret the importance of securing competition and liquidity, providing reasonable incentives and avoiding distortion in neighbouring markets.

Whilst it may be tempting for TSOs to use previously procured Balancing Services instead of accepting higher priced offers on a balancing/trading platform, this will discourage network users to place bids/offers in future. Incentives on shippers to self balance and offer flexibility to the market will also be weakened.

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 limiting TSOs actions to a small number of standardised products for short term flexible gas. However, not all of the products defined are necessary in an end of day balancing regime. Temporal products are only effective in systems where within day obligations apply and where network user’s imbalances are monitored within day. They can also be avoided by buying and selling of two end-of-day products, which the merit order should encourage. Trading Platforms should not be required to offer Temporal Products when the TSO clearly does not need them.

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: TSOs should be required to operate on electronic trading platforms which are open to all market participants to post bids/offers anonymously. Such electronic trading platforms should adopt standard internet protocols and be capable of being easily integrated into network users trading systems. The platform(s) used by the TSO should be specified in the imbalance charge methodology which TSOs are required to produce under the code, but which should also be consulted upon. It is essential that TSOs balancing actions are transparent and that there is a reliable and auditable process for such actions to form the basis of projected imbalances prices regularly throughout the day. TSOs should also take steps to put in place reasonable credit management arrangements to protect network users from the risk of default by other network users.

We do not think it is essential for the code to prescribe that TSOs should be forced to operate on an exchange (i.e. cleared) although we do think the code should include these principles as factors for the TSO to consider when deciding which trading platform to operate on. In reality, cleared exchanges may be the most obvious solution where they exist already and trade in forward products

of longer duration.

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. The code should retain flexibility for block sizes, minimum lot sizes etc to be set at local level, to reflect local market conditions.

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. It is important for the code not to be too specific about the contractual structure and the role of the different parties (network users, TSOs and Trading Platform Operators) in relation to notification/nomination arrangements, so as to allow for maximum flexibility.

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: Renomination is only an issue when TSOs use Locational Market Product and Temporal Locational Market Products not when they use Title Market Products, which are likely to be used in the majority of cases. Whilst it might be possible to envisage arrangements whereby TSOs make nominations on behalf of network users on completion of a Locational Market Product or Temporal Locational Market Product, this could cause operational and contractual problems and should be discouraged.

To this extent, either renominations are made by the Originating Party and only network users can post bid/offers, or renominations are made by the Accepting Party and only TSOs can post bids/offers.

Harmonising this rule seems sensible in order to avoid confusion and to make it more efficient for market participants operating in multiple EU markets. On balance we prefer bids/offers always being submitted by network users. However, as markets develop, TSOs may be required to devise a mechanism for signalling their need for Locational and Temporal Locational Market Products, as network users are unlikely to post bid/offers for these products regularly when TSO's only use them infrequently.

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

Response: No. The merit order, combined with appropriate incentives, is the principal driver for encouraging TSOs to move away from a historical reliance on Balancing Services, and day ahead procurement of physical gas, to efficient within day balancing using mainly title products. Despite what the balancing code may say, we are not convinced that all NRAs will embrace the concept of incentivising TSOs to move in this direction. It is important therefore that the merit order is sufficiently robust in its own right to fulfil this purpose.

Therefore, the drafting should be more specific in its requirements. For example, TSOs should be required to buy title market products (where available and appropriate) ahead of other Short Term Standardised Products rather than merely consider these, and use Standardise Short Term Balancing Products ahead of Balancing Services.

The merit order should also include an obligation on TSOs to seek to prioritize the use of Balancing Actions within-day. A shift by TSOs towards within-day actions will increase liquidity and create incentives for shippers to balance within day, both of which will significantly improve balancing efficiency over time.

Finally, TSOs should be required to publish information showing how they have performed against the merit order at least annually. It is important for network users to see the extent to which TSOs are complying with the merit order as this influences the magnitude of balancing neutrality charges and the TSOs review on procurement of Balancing Services in future.

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: The criteria seem appropriate, but it should be made clear that they refer to the procurement of Balancing Services rather than the use of Balancing Services previously procured.¹ This is driven by the merit order and incentives not Article 16. Also the criteria should include the cost of using and procuring the Balancing Services relative to the cost of balancing the system as a whole.

It is important for there to be full transparency regarding the cost of Balancing Services, including their procurement and use and the extent to which they have been used. This will help network users to form a judgement about the extent to which Balancing Services may be required in future and whether TSOs are gradually reducing their dependence on them.

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: Yes. We think allowing TSOs to propose incentive mechanisms themselves will result in them being better designed and encourage them to be more widely adopted. Obviously any

¹ The supporting document confuses the issue by referring to these criteria in relation to the use of Balancing Services.

incentive scheme proposed by a TSO will need to be subject to NRA scrutiny and approval, and NRAs should be entitled to design and propose their own incentive schemes. However, it is vital that NRAs embrace incentives as an essential way of encouraging TSOs to make the uncomfortable transition from command and control to residual balancing, and to trust markets and commercial incentives to keep the system safely balanced in the most efficient manner.

As well as incentivising TSOs to maximise Balancing Actions through trade in Short Term Standardised Products, an incentive scheme could also be used to incentivise TSOs to use Title Products ahead of other Short Term Standardised Products.

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: No. The code assumes that nominations will always be matched and confirmed by the TSOs either side of an interconnection point. This is not always the case: for example, in the UK there is no confirmation process relating to either the entry or exit flows through interconnectors. TSOs should not be entitled to reject nominations/renominations on the grounds of physical constraints in general. Only physical constraints where the TSO has previously notified force majeure should be taken into account, otherwise firm capacity will be undermined and TSOs will be less inclined to use Locational Products to resolve constraints.

Finally, the definition of term Implied Flow Rate is unclear. It is not clear to us how a negative Implied Flow Rate could arise and lead to a daily renomination being rejected based on the current definition. Also, the exemption concerning a network user's ability to over nominate to obtain interruptible capacity within day could be simplified and made clearer.

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: No. Whilst we appreciate that the initial day ahead nomination schedule reflects the current EASEE Gas standard and such is widely used throughout Europe, we believe it could be more ambitious. Going forward, capacity will increasingly be allocated in a bundled way, via a single nomination and with the counterparties either side of the interconnection point being one and the same network user. In such circumstances we believe there should be scope to reduce the matching and confirmation period from its current 2 hours to 1 hour. This would have the benefit of allowing day ahead capacity auctions to be brought forward one hour to 14:30 UTC and in doing so will mean that the results of these auctions will be known by 17:00 UTC², whilst the market is still open.

² This time could be brought forward even more if the day ahead capacity bidding window were to be reduced from 90 minutes, as currently envisaged, to say 30 minutes or 45 minutes.

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: Broadly yes. However, as pointed out in the supporting document, as within-day capacity is auctioned on the hour bar each day and network users are notified whether they have been successful in acquiring such capacity 75 minutes later, network user will not be able to fully utilise such capacity. This is because their capacity renominations can not realistically be made until after they have been notified they have secured capacity, after which the two hour flow renomination lead time would apply. In effect network users would see two hours of any within-day capacity they acquired in the auctions being sterilised and ENTSG should try and find a workable solution to this obvious inefficiency.

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 accept that a transition period for TSOs to move towards achieving a continuous renomination process with 2 hour lead times may be necessary at some interconnection points, but think there should be an end date for achieving this requirement. Three years after the code comes into affect would seem appropriate, bearing in mind the implementation and wider transition timescales.

As regards the measures proposed to maintain system integrity, when a network user's inputs and offtakes are not balanced, the TSO should only be allowed to reject its re-nomination if, at the time, this clearly endangers the integrity of the system (the code currently refers to "may" endanger system integrity) We think this measure should only ever be used within day, rather than day ahead, as the TSO should always be able to taken balancing actions day ahead to prevent this. TSOs will also be required to have an accurate picture of the network user's overall imbalance position (i.e. including its imbalance position at the virtual trading point) at the point in time it takes such action, as an imbalance network user may be renominating physical gas to reflect trades it has undertaken at the virtual point.

Finally, as regards the proposal to consult on whether harmonised nominations should be submitted when daily and hourly regimes co-exist either side of an Interconnection Point, we have no objection to this in principle. We would point however, that there are a number of examples where hourly and daily nominations regimes currently co-exist (e.g. UK and Belgium/Netherlands). Even with bundled capacity and single nominations, it should be possible to continue with different nomination regimes using rules about Implied Flow Rates and even flow rates throughout the day.

CHAPTER VI. DAILY IMBALANCE CHARGES

Question 19 - Do you support the Daily Imbalance Quantity determination proposed in the Draft Code? If not, please indicate your preferred approach and supply further rationale and evidence of the benefits of Daily Imbalance Quantities being derived on information based during the Gas Day?

Response: Yes.

Question 20 – Do you have alternative views as to whether Locational and/or Temporal Market Products should feed into the derivation of the Weighted Average Price? If so what is your rationale for a different approach and what do you see as the benefits?

Response: In general we agree that Locational and Temporal Market Products should not typically feed into Weighted Average Price. Locational Market Products and Temporal Locational Market Products should be used only to resolve localised transportation constraints. Temporal Products should be used less frequently as TSOs move towards buying and selling two separate products, so they are unlikely to accurately reflect the cost of balancing the system as a whole.

That said, there could be situations in future when it becomes apparent that including them is necessary to avoid an inefficiency, or excluding them creates an unforeseen problem. Therefore, we think it might be sensible for the code to state that whilst both Locational and Temporal Market Products should typically be excluded from the derivation of Weighted Average Price, they could be included if justified by TSOs in the Daily Imbalance Charge Calculation Methodology. This document is subject to NRA approval, but should also be subject to consultation with stakeholders.

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: Yes. Excluding them creates the risk that network users may be incentivised not to deliver against these day ahead trades if the balancing price changes substantially within day. Day ahead balancing trades are also likely to be a feature of the transition to the balancing target model, and so excluding them would be counterproductive.

However, balancing the system through the use of day ahead balancing actions will ultimately be far less efficient than taking balancing actions within day. It is important therefore that the merit order is drafted in such a way as to encourage within-day balancing actions being taken over day ahead and weekend actions.

We do not think there is merit in allowing local discretion on this issue and prefer a harmonised approach. If the merit order properly incentivises within-day balancing actions, day ahead balancing actions should become rare events.

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, though this should be specified in the Daily Imbalance Charge Calculation Methodology, which should be subject to consultation. It may be necessary, for example, if the trading platform does not offer the full range of Short Term Standardised Products, for TSOs to undertake balancing actions on more than one platform indefinitely. However, using more than one platform complicates the process of ensuring there is a reliable and auditable process for calculating and publishing imbalances prices regularly throughout the day. It also requires network users to

participate on more than one platform. This could make it difficult for network users to ensure their bids and offers are kept consistent, or contingent, across these separate platform and would dilute liquidity on these platforms.

We think the code could state that typically TSOs shall aim to take balancing actions on one single platform. To the extent it is necessary, or appropriate, to use more than one platform this will be specified in the Daily Imbalance Charge Calculation Methodology. Such trading platforms should be fully transparent and open to all market participants to post bids/offers anonymously. They should adopt standard internet protocols and be capable of being easily integrated into network users trading systems. TSOs should also take steps to put in place reasonable credit management arrangements to protect network users from the risk of default by other network users.

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 the small adjustment should be to encourage trading by creating an underlying spread between Marginal Buy and Sell Prices. This will incentivise network users to trade out imbalances within day, particularly where the TSO does not take balancing actions on a day. Network users who have flexibility within their portfolios (which can be provided from multiple sources such as storage, LNG, supply contracts, interconnection, demand side response etc) are able to use this to adjust their own imbalances and/or to offer it to the market. As such, prices in the market will reflect the value of physical flexibility at any moment in time. The small adjustment should not try and provide a proxy for this, particularly if this is based on the cost of flexibility from one single source (e.g. storage).

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: The addition of cross border trade as a criterion, and the criteria themselves, are relevant considerations, but we fail to see how TSOs/NRAs can apply the defined criteria objectively, or consistently. Small adjustments could differ significantly between Balancing Zones creating possible distortions and, if set too high, significant imbalance settlement costs passing into neutrality. If one accepts that NRAs and TSOs will only be able to apply the defined criteria subjectively it would be far better, in our opinion, to harmonise the small adjustment within the code itself. This would make the process clear and simple, and will minimise the risk of the small adjustment discriminating against network users, impeding market entry, or cross border trade, or creating price distortions. In our opinion a small adjustment of +/- 3% of the weighted average price will sufficiently incentivise network users to trade out their imbalances where the Short Term Wholesale Gas Markets are liquid. It would be appropriate therefore, to include this as part of the within the balancing target model, although some local leeway could be provided by capping the percentage adjustment, say at +/- 5%, and allowing TSOs/NRAs to determine an appropriate level locally within this cap. We accept that in less developed balancing regimes +/- 3% (or +/-5%) may not be sufficient to incentivise users to balance when access to flexible gas is likely to be scarce. However, where this is the case interim measures are likely to apply, in which case the determination of imbalance prices

would be subject to a separate methodology, as defined in the roadmap, and a larger adjustment could be applied during the transition to the balancing target model.

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: The criteria are largely sufficient.

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

Response: No.

However, we think there would be merit in ENTSG providing further guidance about how these criteria might be interpreted, and what pre-requisites should apply in order for them to be applied. Whilst it may not be possible to do this within the code itself, ENTSG should consider publishing this in conjunction with the final version of the code, or shortly afterwards. Such guidance would prove invaluable for TSOs and NRAs when considering whether within day obligations are necessary or appropriate, and should lessen the likelihood of numerous of different types of within day obligations being applied across the EU.

We also think ENTSG should work on publishing a common set of metrics (again outside the code) which can be used to indicate the extent of linepack and flexibility that exists within Transmission Systems/Balancing Zones across the EU. By reporting against these metrics, ENTSG would be able to better inform stakeholders about where within day obligations may be required. It would also allow for comparisons to be made about the extent to which within day obligations were being applied in Transmission Systems/Balancing Zones with similar levels of linepack and flexibility.

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. We think it is appropriate for WDOs to be consulted on, assessed and recommended by TSOs, as opposed to NRAs. NRAs should assess TSOs recommendations against the criteria defined in the code and provided they satisfy all of the criteria they should be approved, otherwise they should be rejected.

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: Six months should be sufficient time for NRAs to decide on a TSO's proposal for a within day obligation. However, in the event an NRA seeks an opinion from ACER, it may be appropriate for this deadline to be able to be extended by up to 3 months.

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: We do not think it is appropriate to harmonise neutrality arrangements across Europe and so we agree with the scope of the neutrality section in the code. Member States will incur different neutrality costs, particularly "other costs" as described in the supporting document. The extent to which they are included within neutrality or not will differ, possibly depending on the nature of the TSO's price control. NRAs may also choose to apportion balancing neutrality costs differently and not necessarily based on the use a network user makes of relevant entry/exit points, or the system as a whole.

As part of their general duties, NRAs are obliged to prevent undue cross subsidies between network users. To the extent that balancing neutrality costs become material, they can be expected to introduce measures ex-post to appropriately target costs to those who cause them. If this cannot be done effectively ex-post, TSOs should consider whether a within day obligation is necessary to incentivise network users to balance their inputs and offtakes within day.

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

Response: No. the code currently proposes only that TSOs publish aggregate balancing neutrality charges on their website at the same frequency as they are invoiced to network users. In order to fully understand the efficiency of the balancing regime network users and NRAs will require these charges to be broken down into their core elements (balancing actions, daily imbalance charges, WDO charges, other charges) in relation to each gas day.

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 at least a breakdown of the core elements of balancing neutrality costs (balancing actions, daily imbalance charges, WDO charges, other charges) in relation to each gas day, on both a gross and net basis. At the same time, TSOs should also publish relevant data which is pertinent to how these costs will be apportioned to network users (e.g. system throughput, capacity etc). This will enable network users to determine what proportion of the overall neutrality costs they are picking up each day and to reconcile neutrality invoices.

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: Yes, there may be. However, attributing neutrality costs to different posts (other than those core elements referred to above) will be complicated and not appropriate in all systems. It may also require TSOs to make an assessment of a network user's imbalance position within day, which may not be possible to do conclusively without introducing a within day obligation. If the magnitude of neutrality cost or specific features of the balancing regime are such that undue cross subsidies are being incurred, TSOs should first consider revising their neutrality methodology, following consultation with stakeholders, possibly to include separate pots. However, if having considered this they are still not able to target costs appropriately to causers, then they should consult on the possibility of introducing a within day obligation.

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

Response: We do not think multiple neutrality pots should be a feature of the code. However, one possible neutrality pots that could be considered is one relating to the balancing costs incurred as a result of a TSO using variant 2 for NDM information provision.

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: No. Whilst TSOs are held neutral with regard to balancing costs we think they should always be required to take necessary cash-flow management or credit measures (the code currently says TSOs shall be entitled to take such measures), as the cost of any default will rest with shippers. Also, the concept of reasonableness should apply to these measures. There are many examples throughout Europe of unreasonable credit arrangements being imposed on network users as a condition of participating in the balancing market. Finally, these arrangements should be distinctly separate from other cash flow management arrangements relating to transportation charges in general.

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: Where balancing neutrality costs as a whole are low, this could be an option provided it is consulted upon as part of the balancing neutrality methodology. However, in general, balancing costs should typically be accounted and invoiced separately to other 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: Broadly yes, although they will not be sufficient in their own right for systems with within

day obligations. We recognise the need for the code to define a number of variants to information provision, bearing in mind the differences that currently exist in Europe in this respect. However, two updates per day of input and offtake information is the minimum number acceptable in a daily balancing regime with no within day obligations. The more information network users are provided with, both of their own portfolio positions and of the system as a whole, the more readily they will be able to balance themselves in response to within day price incentives. Also, the easier it will be to target imbalance costs to those parties causing them, which becomes increasingly important where balancing neutrality costs are substantial. The TSO's role in balancing the system will be minimised to that of a residual balancer. Trading will also increase, as network users are able to use the within day market to balance their positions and offer any surplus flexibility to TSOs and other network users.

Where TSOS are already providing information regarding inputs and offtakes more frequently than two times per day they should obviously continue doing so.

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. Variant 2 can be an effective way of encouraging competition in the domestic supply market, as demonstrated in Germany, and could be an appropriate measure in newly developing markets, where flexibility is limited or in the hands of a dominant incumbent. However, it is not without a cost, which comes in the form of a greater role in system balancing for the TSO, reduced within day liquidity and greater cross subsidisation.

We think it is appropriate for TSOs to consult on the relative merits and disadvantages of opting for Variant 2. Despite what the Framework Guidelines say, we think TSOs who currently use Variant 2 should also be required to consult on its future use (say after 2 years). This will allow TSOs/NRAs to assess whether the conditions that prompted them to adopt this measure in the first place are still valid and, if so, whether they justify any inefficiency or cross subsidy being generated in the balancing arrangements as a consequence of using this variant.

One possible outcome from a consultation could be to limit the period for which it will apply. Alternatively, network users could be allowed to opt out of Variant 2, along with any resulting apportionment of balancing charges incurred under this variant, if they believe they are able to accurately forecast their own domestic demand and manage its within day swing. This would enable those shippers who perceive they have a competitive advantage in this area to try and exploit it, thus increasing competition in the domestic supply market.

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. Building in a requirement for TSOs to undertake regular analysis of the costs and benefits of greater information provision seems sensible. However, where TSOs are currently not providing network users with any within day information about their inputs and offtakes, and as such need to implement systems and process in order to comply with one of the three variants listed in the code, they should not limit their aspirations to providing just two updates per day if the incremental cost of providing data more frequently is low (which typically it should be). Also, rather than set up a demand forecasting system from scratch, it may well be more cost effective and technologically efficient for TSOs to introduce systems and processes for providing actual measured demand and supply data regularly within day. Experience from certain European markets (e.g. Netherlands and Belgium) demonstrates this is possible to do with a significant degree of accuracy using only a statistical sample of within day meter reads at certain points within the system, rather than all points.

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. We broadly agree with the timings, but we find it unacceptable that TSOs could take up to 4 hours to process and provide network users with the first update of their Intraday Metered Offtake within day flow. These sites will, in all cases, have telemetry fitted and TSOs/DSOs will be getting updated flow information from this telemetry considerably more frequently than two times per day. We appreciate that this data will need to be sense checked to correct any data errors or inconsistencies, but these are likely to be the exception rather than the rule.

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: Chapter 3.4(5) of Annex I to Regulation 715/2009 deals with the provision of system information and, as with other aspects of the Transparency Guideline (e.g. near-real time flow data at relevant points), is unhelpfully imprecise. Whilst it seems beyond doubt that the “forecast amount of gas in the transmission system at the end of each gas day” (i.e. projected closing linepack) should be updated on an hourly basis, it is less clear the same regular hourly updates should apply to the aggregate imbalance position of all users. As not all systems rely on projected closing linepack to inform network users of system imbalances and the possible need for balancing actions, and as the status of similar hourly updates of system imbalances is unclear, we are not convinced at this stage that the Transparency Guidelines are sufficient.

Throughout the development of the code there has been a general presumption by ENTSG, ACER and stakeholders that TSOs will provide information to network users about the system imbalance regularly throughout the day. This will ensure that network users are fully aware of when the TSO may need to take Balancing Actions, and what the consequences of these will be as regards their

own imbalance position. Network users will be able to efficiently respond to commercial incentives, which is the main driving force behind the concept of market based balancing. The Framework Guideline also states that “Regular information is also required on the overall status of the system in accordance with Chapter 3 of Annex 1 to the Gas Regulation” and goes on specifically to mention that “Point 3.4(5) of Annex I to the Gas Regulation shall apply”.

As such, regularly hourly updates of system information should be regarded as a pre-requisite for effective implementation of the balancing network code. To the extent that Chapter 3.4(5) is unclear in what information should be provided and when (it would be helpful if ACER could provide a view on this) the code should clearly spell this out.

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

Response: No. As with Intra Day Metered Offtake data, measured input information into the Balancing Zone should be provided on a disaggregated basis. This will enable network users to establish where inputs may be inconsistent with their nominations. As aggregate information can only be provided by adding together individual input data from a network user’s entry points into the Balancing Zone, this should be easy to achieve.

For the same reasons, where TSOs are not responsible for apportioning gas between network users as part of the allocation process, measured flow data should be provided on an individual entry point basis at least twice per day, rather than in aggregate. However, in our opinion this information should already be being provided on a near real time basis under Chapter 3.3(1)(e), despite ENTSG choosing to interpret this requirement differently. Provision of near real-time flow data at relevant points, together with hourly system information, will enable network users to obtain an accurate ongoing picture of the demand and supply side factors driving within day price formation. This will enable them to react to these factors and balance the system more efficiently.

Ultimately, network users are primarily focused on their total imbalance positions and can trade in the within day market to mitigate their balancing exposures. However, these imbalance positions do, in due course, need to be sufficiently disaggregated, as this will enable network users to better understand what is driving their total imbalance and take the necessary actions at specific entry/exit points to efficiently self balance.

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.

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 balancing market should presumably equate to the definition of Short Term Wholesale Gas Market included in the code, in which case NRAS will be required to assess the liquidity of all Short Term Standardised Products envisaged in such market, particularly Title Products. We do not think the code needs to define specific measures that should be used to assess liquidity (for example the somewhat arbitrary measures specified in the Gas Target Model) as NRAS should be more than capable of making such assessments using metrics relevant to their own market.

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: Other measures clearly exist, such as flexible gas release programmes, market making obligations and virtual storage provision, but we do not think these should be included within the scope of the code as they fall within the realm of national jurisdiction.

Question 46 – In your view, what would justify including LNG in the Balancing Zone in “small markets” and in short term transitional arrangements? Do you see any conflict with these reasons and the BTM to be established by the eventual Balancing Network Code?

Response: LNG entry points should always be part of a Balancing Zone so we are not sure what the question is asking. We understand this has been transposed from the Framework Guidelines and that ENTSOG themselves may be equally confused. Therefore, unless ACER is able to provide a clearer explanation of what they meant by this interim measure, Article 51(2)2.b should be deleted to avoid any confusion or future misinterpretation.

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. Volume based tolerances undermine the principle of daily balancing and allow network users to arbitrage across gas days, neither of which should be encouraged. The same applies to shipper led cross border balancing and linepack flexibility services (as defined in the code).

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, although the drafting could make it clearer that tolerances will be reduced as reduce NDM forecasting accuracy improves.

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: The inclusion of variant 2 as an option, subject to consultation, and tolerances related to NDM forecasting accuracy provide sufficient scope for mitigating the imbalance risks of network users servicing the NDM sector.

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. The measures and level of consultation are adequate.

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. It may be more effective and beneficial for liquidity if trades on the Balancing Platform are used to set imbalance prices in the transition period, rather than relying on an administered or proxy imbalance prices.

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

Response: Not that we are aware.

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, but we have suggested areas where TSO reporting should be enhanced in our response to Questions 12, 31 and 32 above.

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	See attached appendix of suggested drafting amendments
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: See our response to Questions 6 and 26 above. Also, the code should recognise that in some balancing zones (e.g. Gaspool and NCG) market operators are responsible for taking balancing actions on behalf of the TSOs in the zone. Appropriate wording should therefore be included in Chapter I to reflect this.

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 "respondent friendly" and informative. It should be seen as a benchmark for future network code consultations.

Appendix

Article	Suggested Amendment	Justification	
8.2	The timing for submitting, withdrawing and amending trade notifications shall be defined by the TSO in the relevant transport contract or other legally binding arrangement with Network Users taking into account the <u>time required</u> (if any) for processing thereof.	The definition of Lead Time refers to physical flow changes and so should not be used to refer to the time necessary for processing trade notifications.	Deleted: Lead T
8.4	If the TSO receives a corresponding set of a disposing and an acquiring trade notifications <u>no later than three (3) hours before the end of the Gas Day D</u> and the Notification Quantities are equal then the TSO shall allocate the Notification Quantity to the Portfolios concerned	We think it necessary to specify a standardised time for TSOs to accept and act on matching trade notifications and suggest 3 hours prior to the end of the gas day, which is consistent with the deadline for making physical renominations within day.	
10.8		We suggest deleting this. Highlighting a number of possibilities of what proposals for project development might look like could be seen to favour these projects or exclude other possibilities, and is not necessary or helpful in a legally binding network code. To the extent this paragraph is still considered necessary we suggest rewording the phrase “allow TSOs to act as intermediaries to facilitate access to flexible gas in adjacent markets” as it is not clear to us what this means. The wording should be changed to make it clear that TSOs bringing forward proposals in the meantime without consultation is not possible.	Deleted: The submitted proposals could include shipper-led cross-border portfolio balancing, which would allow Network Users to net their imbalances between adjacent Balancing Zones, cross-border TSO balancing, which would allow TSOs to act as intermediaries to facilitate access to flexible gas in adjacent markets and a joint balancing platform for TSOs in adjacent Balancing Zones, which would allow TSOs to buy and sell balancing gas, where sufficient interconnection exists.
10.11	The requirements set forth in Article 10 shall not prevent in any case TSOs in any of the gas regions (as defined in the European regional initiatives) from <u>consulting and thereafter bringing forward proposals to merge Balancing Zones, or for cross-border balancing in the meantime.</u>		Deleted: bringing forward or
12.1.b	achieve an end of day <u>linepack or system imbalance position</u> in the Transmission System different from the one anticipated on the basis of expected Inputs and Off-takes for that Gas Day being consistent with the objectives of the daily balancing	Linepack should be lower case as it is not a defined term, although maybe it should be. It is also necessary to refer to system imbalance (or some similar term) here as TSOs may take balancing actions to designed to achieve an end of day system imbalance, not just linepack.	Deleted: on Deleted: L

12.2.c	regime distribution of gas <u>within the Transmission System(s)</u> .	This makes it clearer that it is the distribution of gas in the transmission system(s) which is being referred to, not gas in the distribution system. Also the word "on" is unnecessary in the first paragraph of 12.2 and should be deleted.	Deleted:
12.4	While undertaking Balancing Actions the TSO shall take into account the following principles and factors: a) the Balancing Actions shall be undertaken on a non-discriminatory basis; b) the Balancing Actions shall have regard to any obligation upon TSOs to operate an economic and efficient Transmission System; <u>c) the choice of which Balancing Actions and/or Short Term Standardised Products to use shall reflect the extent to which Within Day Obligations apply within the Balancing Zone.</u>	We think there is a need for extra factor which TSOs should consider when undertaking balancing actions and when choosing between STSPs, which is the extent to which within day obligations apply in that balancing zone. This should ensure TSOs do not use STSPs inappropriately, such as using a temporal market product in a pure end of day balancing regime.	Deleted:
13.1	Subject to the principles set forth in Item 4 Article 12, while deciding on the appropriate Balancing Actions to undertake, the TSO shall: <u>a, use Title Market Products where available and to the extent appropriate over any other available Short Term Standardised Products;</u> <u>b, consider the use of Locational Market Products when, in order to keep the Transmission System within its operational limits, gas flow changes are needed at specific Entry and/or Exit Points;</u> <u>c, consider the use of Temporal Market Products and Temporal Locational Market Products when, in order to keep the Transmission System within its operational limits, gas flow changes are needed within a specific period of time within the</u>	<p>13.1. – the phrase "at least consider the following" weakens the strength of the merit order.</p> <p>13.1.a – Similarly the phrase "seek to prioritise" weakens the strength of the merit order and is unnecessary if the phrase "where available and to the extent appropriate" is also used in this sentence. Clearly, where title market products are not available or if a particular circumstance exists where a TSO considers it appropriate to use locational or temporal products instead, they can still do so under our revised wording.</p> <p>13.1.b - The words "and/or to start from a specific period of time within the Gas Day" are superfluous as locational market products can be for a full gas day or start from a specified period of time within the gas day and run to the end of the gas day (not to be confused with temporal locational market products which are for specific time periods within</p>	Deleted: at least consider the following criteria Deleted: 1 Deleted: The TSO shall seek to prioritize the Deleted: of Deleted: Deleted: 2 Deleted: The TSO shall Deleted: and/or to start from a specific period of time within the Gas Day. Deleted: 3 Deleted: The TSO shall

	<p>Gas Day. The TSO shall only use a Temporal Market Product or a Temporal Locational Market Product when in its discretion under defined circumstances it would be more efficient and economic than buying or selling a combination of Title Market Products or Locational Market Products;</p> <p><u>d. use Short Term Standardised Products where available and to the extent appropriate over Balancing Services;</u></p> <p><u>e. seek to prioritize the use of Balancing Actions within-day.</u></p>	<p>the gas day).</p> <p>13.1.c - "Temporal Locational Market Products" also need to be included here.</p> <p>13.1.d - The merit order should require TSOs to use STSPs over balancing services where available and to the extent appropriate. Article 16 is irrelevant here as this refers to a TSO's procurement of balancing services not its use of balancing services previously procured.</p> <p>13.1.e - As stated throughout the SJWS process, and in our previous response to ENTSOG's draft business rules, we think it is essential for the merit order to drive TSOs behaviour towards taking balancing actions within-day, rather than day ahead (or weekend). Without such an obligation TSOs may be able to balance the system day ahead whilst still complying with the merit order, which would be inefficient and which would fail to encourage within day liquidity and self balancing by shippers. We accept that TSOs will not know until the day in question whether within day products are available or not, and so this obligation can be looser than others in the merit order. Hence, we think it would be appropriate to use the phrase "seek to prioritize" in this instance (having deleted it elsewhere) and to widen the scope of the TSOs obligation to use balancing actions (rather than STSPs).</p>	<p>Deleted: of</p> <p>Deleted:</p> <p>Deleted: 4</p> <p>Deleted: Subject to Article 16, the TSO shall consider the use of</p> <p>Deleted:</p>
13.2	<p>TSOs shall annually review the extent to which they have complied with the merit order and publish this on their websites</p>	<p>This information is necessary so that network users can readily see the extent to which TSOs are complying with the merit order. It is also relevant to the TSOs review on procurement of balancing services and their use under Article 16.</p>	<p>Deleted: 13.2</p> <p>Deleted: The TSO shall consider the use of Temporal Market Products when, in order to keep the Transmission System within its operational limits, gas flow changes are needed within a specific period of time within the Gas Day. The TSO shall only use a Temporal Market Product when in its discretion under defined circumstances it would be more efficient and economic than buying or selling of a combination of Title Market Product or Locational Market Product.</p> <p>Deleted: Subject to Article 16, the TSO shall consider the use of Balancing Services.</p>
13.3		<p>Article 13.3 should be deleted and incorporated under Article 13.1c) above</p>	
13.4		<p>Article 13.4 should be deleted and incorporated under Article 13.1d)</p>	

¹ ENTSOG should consider amending the definition of "Temporal Market Product" to read "Temporal Title Market Product" and then using "Temporal Market Product" to collectively describe both "Temporal Title Market Product" and "Temporal Locational Market Product".

14.3	In absence of the sufficient support as set forth in Item 2 above, the relevant TSO shall either seek to ensure that this support is provided on an existing Trading Platform, or where no Trading Platform exists take the necessary measures towards the establishment of a Trading Platform as set forth in Item 1 above, that provides this support.	above Use defined term Trading Platform	
14.6	The Trading Platform Operator shall publish the evolution of the Marginal Buy Price and Marginal Sell Price as soon as reasonably possible after each trade unless the TSO uses more than one Trading Platform to undertake Balancing Actions. In such cases, the Trading Platform Operators shall provide the TSO with the relevant information to be able to publish the evolution of Marginal Buy Price and Marginal Sell Price as soon as reasonably possible.	The original drafting is unclear. If the TSO does use more than one trading platform to undertake balancing actions (e.g. a trading platform and a balancing platform) we think the TSO should publish the evolution of balancing marginal buy and sell prices actions, with the trading platform operators providing the TSO with the relevant information.	
15.5.a)	Where specific Entry and/or Exit Points (or groups thereof) are necessary, the TSO will notify Network Users of this prior to the trade;	This change, combined with the proposed addition of 15.5.f), allows for locational market products to be made at specific entry and/or exit points if necessary, or at any entry and/or exit Point if not (i.e. it reflects the concept of physical and locational trades used in the UK)	Deleted: re are more than one (l) Deleted: e Deleted: in the same Balancing Zone; in such case b) shall apply; or b) unless decided by the concerned TSOs elects to
15.5.c	the originating participant modifies the quantity of gas to be input and/or off-taken to/from the Transmission System by an amount equal to the Notification Quantity and, where necessary, provides evidence in the form of Confirmed Quantity (-ies) for the specified Entry and/or Exit Point(s);	Originating participant should be used instead of originating Trading Participant as this is the convention used in Article 15.3. Input should be used instead of injection as injection has connotations with storage. Also, confirmed quantities should only be provided where necessary as some TSOs do not operate this concept (e.g. National Grid)	Deleted: provide such information, Deleted: relevant
15.5. f)	the nomination(s) or re-nomination(s) for the Entry or Exit Point(s) submitted under Item 5.e) above shall, if necessary, reflect any notification given by the TSO under Item 5.a) above	We think this new condition is necessary to distinguish between physical trades and locational trades (see comments on 15.5.a)	Deleted: The TSO shall have determined the relevant Deleted: p Deleted: that can be used Deleted: Trading P Deleted: icted
15.7	Where a Temporal Locational Market Product is traded all the	Necessary because of the suggested addition of 15.5.f)	

	conditions specified in Item 5 a), c), d), e) and f) and Item 6 above are fulfilled.			Deleted: and
16.1	<u>When considering the extent to which it needs to procure Balancing Services for the purpose of undertaking Balancing Actions, the TSO shall consider at least the following:</u>	This makes it clearer that Article 16 is referring to the procurement of balancing services not their use, which is covered by the merit order in Article 13.		Deleted: F
16.1.d)	<u>Entry and/or Exit Point(s) at which the gas needs to be delivered</u>	Refer to entry/exit points rather than location as this increase clarity and recognises that balancing services are required in relation to inputs/offtakes.		Deleted: through the use of Balancing Services
16.1.f)	<u>the cost of using and procuring Balancing Services relative to the cost of balancing the Transmission System.</u>	The cost of procuring balancing services is obviously important in deciding how much to acquire, as is their cost in relation to balancing the system as a whole.		Deleted: when procuring these Balancing Services
16.3	The TSO shall review the use of its Balancing Services each year in order to assess whether available Short Term Standardised Products would better meet the TSO's operational requirements for the next year, <u>thereby reducing the need to procure Balancing Services.</u>	There should be a link between STSPs better meeting the TSO's operational requirements with a reduction in balancing services procured the following year.		Deleted: location
16.4	The TSO shall publish on a yearly basis on their websites <u>details of the cost and amount of Balancing Services procured and the related cost incurred through their use.</u>	The code should be specific about what information should be provided. This will enable shippers to better evaluate whether the TSO is fulfilling its obligation to balance the system in an economic and efficient manner.		Deleted: the information with regard to the
17.1	The relevant national regulatory authority may incentivise the TSOs to foster market Liquidity, to promote the TSO's efficient undertaking of the Balancing Actions and/or to maximize the undertaking of Balancing Actions through the trade in Short Term Standardised Products <u>and/or Title Market Products.</u>	The merit order encourages TSOs to use title market products over other STSPs but as this may be the hardest condition to comply with it is appropriate that any incentive scheme encourage this too.		
17.2	The TSOs may submit to the relevant national regulatory authority for approval, an incentive mechanism to foster market Liquidity, to promote the TSO's efficient undertaking	See comments to 17.1 above		

	of the Balancing Actions and/or to maximise the undertaking of Balancing Actions through the trade in Short Term Standardised Products <u>and/or Title Market Products</u> .	
18.2	For the purpose of undertaking Balancing Activities, the TSO may <u>reasonably</u> require Network Users to provide further information on nominations (respectively re-nominations) in addition to the requirements set forth in this Network Code, including in particular, but not limited to, an accurate, updated and sufficiently detailed forecast of the expected Inputs and Off-takes in accordance with the specific need(s) of the TSO for the Balancing Activity concerned.	The principle of reasonableness is needed here as the information is expected to be accurate, which would be very difficult the further away from real-time the nomination has to be provided.
20.3	<u>Where necessary</u> , TSOs shall send the Confirmation Notice regarding the Confirmed Quantities to the respective Network Users no later than the Confirmation Deadline on Gas Day D-1.	Where necessary needs to be included here as not all TSOs/IPs use confirmation notices (e.g. the UK). See also comments on 15.5c)
21.5	<u>Where necessary</u> , TSOs shall send the Confirmation Notice regarding the rescheduled gas quantities for the Gas Day D to the respective Network Users within two (2) hours from the start of each re-nomination cycle and before any gas flow change is due to comes into effect	See comments on 20.3 above
23.1.i.d	The TSO shall take into account <u>any</u> physical constraint <u>arising from a force majeure event it has previously notified Network Users of, if any</u> .	This point should be made more specific. To the extent a nomination (re-nomination) passes the other criteria in 23.1.1 a) – c), rejection or partial should only be allowed for physical constraints resulting from pre-notified force majeure events. TSOs can use locational and temporal products, and balancing services if they have them, to resolve constraints and without our proposed amendments there is a risk that these products will not be used and firm capacity rights will be undermined. To the extent a constraint not caused by force majeure cannot be resolved using balancing actions, this should be covered in

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23.2	<p>Where at any time during a Gas Day, a Network User's Inputs are not equal to its Off-takes, the TSO may reject its nomination (re-nomination) for that Gas Day, entirely or partially, but only if the integrity of the Transmission System is endangered due to this nomination (re-nomination) and the TSO is not able to maintain integrity by undertaking a Balancing Action.</p>	<p>the forthcoming ENTSOG network code on emergency arrangements.</p> <p>It is vital that the drafting of this clause is very precise to avoid TSOs disrupting the proper functioning of the market. Reference to "intended" should be avoided and it should be made clear that rejection of renominations relate to the gas day where the shipper has an imbalance. TSOs should also not be allowed to reject nominations day ahead. The definition of input and off-take is crucial here as it needs to include VTP trades. A shipper's inputs and off-takes may be perfectly balanced but his nominations at entry and exit points may be out of balance, in which case the TSO should not be entitled to reject the shipper's future nominations/re-nominations for that day. However TSO's may not always have access to an accurate view of a shipper's imbalance position at the VTP in a daily balancing system, as trades may not be matched until late in the day. A shipper's renomination should only ever be rejected where it currently has an imbalance and its renomination makes this imbalance worse, such that it actually (not may) threatens the integrity of the system and the TSO is not able to prevent this through a balancing action. Finally the last sentence is far from clear and so should be deleted: in reality if a TSO rejects a renomination the shipper will always have to reconsider its renomination and enter into dialogue with the TSO.</p> <p>Again reference to "intended" should be avoided and there needs to be reference to the Gas Day. See also comments in 23.2 above.</p>	<p>Deleted: In case</p> <p>Deleted: the</p> <p>Deleted: intended</p> <p>Deleted: the Network User's</p> <p>Deleted: Network Users'</p> <p>Deleted: may be</p> <p>Deleted: e</p> <p>Deleted: extent of the imbalance</p> <p>Deleted: prevent it</p> <p>Deleted: ny</p> <p>Deleted: Before proceeding with rejection or partial rejection, the TSO may request the Network User to perform the re-nomination or decide on the re-nomination which shall be limited to the difference of the Network User's intended Inputs and Off-takes</p>
23.3	<p>The TSO shall not reject a Network User's nomination (respectively re-nomination) on the grounds that a Network User's Inputs are not equal to its Off-takes for a Gas Day other than in accordance with Item 2 above.</p>		<p>Deleted: this</p> <p>Deleted: intended</p> <p>Deleted: would</p> <p>Deleted: be</p>
25.2	<p>These measures shall at least provide a Network User with the right to submit a nomination (respectively re-nomination) for Gas Day D on Gas Day D-1 and to submit re-nominations for Gas Day D on Gas Day D.</p>	<p>The use of plural as regards the defined term Network User makes it unclear exactly what this clause is saying. We assume that in transition the TSO has to provide a Network User with the opportunity to:</p> <ul style="list-style-type: none"> • make a nomination D-1 	<p>Deleted: the Network User's intended</p> <p>Deleted: the</p> <p>Deleted: s</p> <p>Deleted: s</p> <p>Deleted: s</p>

		<ul style="list-style-type: none"> • make a renomination D-1 (through the use of respectively renomination) • make at least two renomination (through use of the plural) on D
25.3	<u>Transitional measures may apply for a maximum of three (3) years after the Network Code comes into effect, after which Article 21 shall apply.</u>	An end date needs to be included for this transition measures and we suggest 3 years after the code comes into affect is appropriate, bearing in mind the implementation and wider transition timescales.
27.1	The TSO shall submit its Daily Imbalance Charge Calculation Methodology to the relevant national regulatory authority for approval, <u>following consultation with Network Users.</u>	The daily imbalance charge methodology is a key document and should be consulted not just made available on the website. The legal drafting in Chapter VI can never be precise enough to cover all eventualities (e.g. which trading platform, which trades go to make up weighted average price, how large is the small adjustment etc) and it is important network users have a say on the specific details being proposed, rather than having them imposed from above.
27.3	The Daily Imbalance Charge Calculation Methodology shall define the Daily Imbalance Quantity calculation as provided in Article 28, <u>the Daily Imbalance Charge calculation (including the Trading Platform(s) on which trades determine how such charge is calculated) and the Small Adjustment calculation both as provided in Article 29 and any other parameters that may be necessary.</u>	The methodology must make it clear which trading platform(s) are used for calculating the prices under Article 29.
27.4	The present Article is without prejudice of the right of the national regulatory authority to fix the referred to methodology, <u>following consultation</u> , which shall be consistent with the provisions set forth in the present Chapter VI.	See comments on 27.1 above
29.3	The Small Adjustment, as defined in the <u>Daily Imbalance Charge Calculation Methodology</u> , shall be capped at <u>plus/minus five (5) percent of the Weighted Average Price of gas traded in respect of that Gas Day.</u>	The criteria referred to against which it is proposed small adjustments should be assessed are highly subjective and could result in a proliferation of different values, some of which may be too high and some of which may be too low. To avoid possible distortions and in the

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- a) incentivise Network Users to balance their Inputs and Off-takes;¶
- b) be designed and applied in a non-discriminatory manner in order to;¶
- not deter market entry;¶
- not impede the development of competitive markets;¶
- c) not have a detrimental impact on cross-border trade

		interests of clarity and simplicity we think the small adjustment should be more harmonised and favour a capped approach. A cap of +/- 5% seems appropriate for more liquid and developed markets but would still leave the option for NRAs to set levels asymmetrically and lower than the cap. Capping the small adjustment at this level may not be appropriate for less liquid and developed markets. However, in such markets TSOs/NRAs have the option of setting interim imbalance cash out prices under Article 51(4) and so different arrangements could legitimately be applied.	
30.1	To calculate Daily Imbalance Charges for each Network User, the TSO shall multiply a Network User's Daily Imbalance Quantity (as provided in Article 28) by the applicable <u>Marginal Sell Price or Marginal Buy Price</u> (as provided in Article 29).	"Price" is a defined term meaning the imbalance cash-out price when an interim tolerance applies (see also our comments on Definition of "Price" below) and so is not appropriate to this Article. The applicable marginal sell/buy price should be used instead.	
31.1.b	the TSO shall provide Network Users with a final Daily Imbalance Quantity, <u>within a period specified in the Daily Imbalance Charge Calculation Methodology.</u>	We suggest including the period for receipt of the final daily imbalance quantity within the daily imbalance charge methodology. As proposed in our amendments to Article 27.1 and 27.4, this would be consulted upon and approved by the NRA (hence the deletion of NRA approval here).	Deleted: following the expiration of the aforementioned period of time, Deleted: the Deleted: approved by the national regulatory authority Deleted: ing Deleted: system Deleted: ing
32.2	Within Day Obligations shall only be used for the purpose of <u>incentivising Network Users to take appropriate Balancing Activities during the Gas Day to ensure the integrity of the Transmission System and to minimise the TSO's need to take Balancing Actions</u>	We think it is important to use the wording in the Framework Guideline which refers to within day obligations incentivising network users. Within day obligations should only be used for this purpose and the recommendation in Article 33.5a should analyse the extent to which this purpose has been met. The same comment applies to 34.4a)	
33.1	Any Within Day Obligation proposed by the TSO shall meet <u>all of the following criteria:</u>	Any within day obligation needs to satisfy all of criteria a) to e) so for the avoidance of doubt we think the wording should refer to "all of"	
33.1a)	A Within Day Obligation and related Within Day Charge, if any, shall not pose any undue barriers on cross-border trade and new Network Users' entering the <u>relevant</u> European gas	Whilst the drafting in the code largely reflects the wording used in the Framework guideline, we think it is necessary to make reference to the "relevant" European gas market. In the absence of a single European	

	market	gas market different markets will have different needs for, and types of, within day obligations. The same comment applies to Articles 33.5c) and 34.4c)
33.5c)	the effect on new Network Users' entering the relevant European gas market, including any undue negative impact thereon;	See comments on Article 33.1a) above
33.5g)	<u>the extent to which Network Users are provided with sufficiently accurate information in a timely manner regarding their Inputs and/or Off-takes to comply with the Within Day Obligation.</u>	We suggest adding a new bullet point. A TSO's recommendation should also include an analysis of the extent to which network users are provided with accurate and timely information necessary to comply with the within day obligation being proposed. TSOs may be instrumental in providing such information and NRAs will ultimately have to assess this, so it is important for the TSO to demonstrate this requirement has been met.
34.4a)	consider the extent to which this Within Day Obligation will incentivise Network Users to take appropriate Balancing Activities during the gas Day to minimise the TSO's use of Short Term Standardised Products and Balancing Services in order to maintain the Transmission System within its operational limits as provided in Chapter IV;	See our comments on Article 32.2 above
34.4c)	establish if this Within Day Obligation represents a barrier to new Network Users' entering the relevant European gas market;	See comments on Article 33.1a) above
37.1	The methodology for Balancing Neutrality Charges calculation and apportionment amongst the Network Users shall be consulted upon, approved by the competent national regulatory authority and published on a relevant website accessible to the public.	We think it is important that stakeholders are consulted on how balancing neutrality charges are smeared back to network users. The extent of these charges is indicative of the overall efficiency of the balancing regime. How they are apportioned may generate undue cross-subsidy and influence the extent to which neutrality pots or within day obligations are required. It is important therefore that network users are able to express their opinions on these issues.

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37.2		<p>The methodology will define how neutrality costs are apportioned amongst network users, hence the importance of consultation (see comments on Article 37.1 above). Whilst these costs may be allocated based on the use of the system or relevant entry/exit points, they may equally be based on booked capacity or be socialised. To avoid any possibility of pre-empting how these costs will be allocated we suggest deleting this Article. However, if it is to be retained the “shall” in the first line should be replaced with “could”.</p>	<p>Deleted: The apportionment of Balancing Neutrality Charges to a Network User shall be related to the extent this Network User makes use of the relevant Entry and/or Exit Point(s) concerned or Transmission System as relevant under the related methodology.</p>
37.4	TSOs shall publish on their websites relevant aggregate and net data regarding the component charges making up Balancing Neutrality Charges for each Gas Day. This data shall be provided at the same frequency as Balancing Neutrality Charges are invoiced to Network Users.	<p>Aggregate information is not sufficient for network users to fully understand the efficiency of the balancing regime. Instead TSOs should provide a breakdown of the various component charges making up balancing neutrality charges on an aggregate and net data basis for each day.</p>	<p>Deleted: aggregate</p>
38.3	The TSO shall take reasonable measures to protect Network Users from the risk of default in payment of Balancing Neutrality Charges by other Network Users.	<p>TSOs should be required to put in place credit arrangements to protect network users from the risk of default, not just be “entitled to”. These arrangements need to be reasonable and specific to neutrality charges, not transportation charges in general.</p>	<p>Deleted: be entitled to</p> <p>Deleted: necessary</p> <p>Deleted: and impose relevant contractual requirements</p> <p>Deleted: to mitigate the</p> <p>Formatted: English (U.S.)</p> <p>Deleted: the Network Code</p>
39.2	The information flows provided under Chapter IX aim to support the daily balancing regime. To the extent any Within Day Obligations apply, TSOs will need to provide information over and above that provided for in Chapter IX in accordance with Article 33 Item 1b).	<p>Information flows in accordance with Chapter IX are sufficient to support a daily balancing regime. However, we think it is important for the code to reinforce the fact that information over an above that described in Chapter IX will be necessary should any within day obligations apply.</p>	
40.5 (final paragraph)	For those Balancing Zones where Variant 2 is applied upon the date of entry into force of this Network Code, the relevant national regulatory authority shall consult with stakeholders on its continued application within two (2) years. For other Balancing Zones where Variant 2 is sought to be applied, a prior market consultation shall be conducted and the relevant national regulatory authority approval shall be obtained by the	<p>This will allow sufficient time for NRAs to continue to obtain the perceived benefits of variant 2 but will also ensure they are required to consult on whether to continue with such an approach, bearing in mind the possibility for cross subsidy and inefficiency that may result during this time.</p>	<p>Deleted: it</p> <p>Deleted:</p> <p>Deleted: be applied thereafter</p>

41(1).1	TSO. Where Network Users do not have access to such information, the TSO shall upon request of the concerned Network Users provide them with a minimum of two (2) updates of their individual Intraday Metered Off-takes for their measured flows from either of the two (2) options as decided by the TSO: • each update covers gas flows from the beginning of the such Gas Day D, or • each update covers incremental gas flow after that reported in the previous update.	We suggest network users should be required to request intraday metered data from the TSO as they may have access to this directly themselves. Also such data should be provided on a site by site basis as receiving aggregate information will not be sufficient to enable network users to take corrective action against sites contributing to their portfolio imbalance.	Deleted: confirmation Deleted: at least Deleted: aggregate
41(1).2	The first update or the first updates (as the case may be) shall cover at least four (4) hours of gas flows within the Gas Day D. An update shall be provided within two (2) hours from the end of the final hour of gas flows but no later than 17:00 UTC or, when daylight saving time is applied, 16:00 UTC.	Bearing in mind these sites will all have telemetry fitted and intraday metered sites can have a material impact on a network user's imbalance position, it is not credible for the TSOs to take up to 4 hours to check and process this data. Even 2 hours seems excessive, but is just about acceptable in the context if a daily balancing regime with no within day obligations.	Deleted: four Deleted: 4
42.2	At all other Intraday Metered Entry Points and Exits Points not covered in Article 41 above to the Balancing Zone the TSO shall provide each Network User with its measured flows at each of these Entry and Exit Points a minimum of two (2) times per Gas Day.	Aggregate information will not be sufficient to enable network users to take corrective action at specific entry/exit points where the measured flow is out of line with their nominations and is thus contributing to their portfolio imbalance.	Deleted: aggregate Deleted: to the Balancing Zone Deleted: least
42.4	Where the TSO is not responsible for apportioning the gas between Network Users as part of the Allocation process, as an exception to Item 2 above, it shall provide the measured flows in aggregate at each of these Entry and Exit Points a minimum of two (2) times per Gas Day.	Notwithstanding the TSOs obligation under Chapter 3.3(1)(e) of Annex I to Regulation 715/2009 to provide near-real time actual physical flow data at all relevant points, TSOs should provide this information at each specific entry/exit point, not in aggregate. Aggregate information will not be sufficient to enable network users to identify which entry/exit point flows are contributing to their portfolio imbalance.	Deleted: Until such assessment is completed and any changes implemented, Network Users may be entitled to a tolerance regarding Within Day Obligations if any, subject to the approval of the relevant national regulatory authority. Any transitional arrangement agreed shall be sent to ACER by the TSO for information upon agreement.
44.4		We suggest deleting this Article. Tolerances are a matter for transition	

		and should not be linked to information provision that may be necessary to comply with a within day obligation. If TSOs are not able to comply with Article 33.1.b) the within day obligation should not be applied. It should not be possible to introduce or maintain existing within day obligations in the absence of sufficient timely and accurate data, by simply including a proviso that network users will get some form of imbalance relief via a tolerance.	
46.2		We suggest deleting this Article as it is not clear what it means and chapter VIII does not set out a neutrality mechanism as such. To the extent a lineup flexibility service exists and needs to be provided for, or not, in the neutrality mechanism this should be reflected in the balancing neutrality methodology referred to in Article 37.3. If this Article is felt still to be necessary then its meaning should be clarified. Measures aimed at promoting competition and liquidity in the short term wholesale gas market need not be limited to interim measures (as defined in Article 51), but if introduced as part of the transition towards the balancing target model they should be implemented in accordance with the roadmap of interim measures. The relevant defined terms should also be used in preference to "flexible gas" and "wholesale market" in this Article.	Deleted: The neutrality mechanism set forth in Chapter VIII shall not apply to Linepack Flexibility Service.
49.1	Where the Short Term Wholesale Gas Market is not sufficiently liquid, suitable measures shall be implemented by the TSOs aimed at promoting competition and liquidity. These measures shall be in accordance with a roadmap (as provided in Item 5 Article 50) developed by each TSO which will take into account the local market development and which shall seek to facilitate the TSO's future procurement of <u>Short Term Standardised Products</u> on the <u>Short Term Wholesale Gas Market</u> .		Deleted: interim Deleted: flexible gas Deleted: w Deleted: m Deleted: interim Deleted: as Deleted: Interim measures
49.3	The resort to an interim measure as detailed in Article 51 is without prejudice to the implementation of any other measures alternatively or additionally.	This reinforces the point that measures, other than interim measures defined in Article 51, can be implemented as an alternative or as an addition.	Deleted: The report submitted by the TSO may include other measures that aim at promoting competition and liquidity in the provision of short-term gas flexibility including interim portfolio nominations that might assist focus liquidity in specific TSO and Network Users' balancing windows and optional information release ahead of Balancing Actions where the TSO assesses that the release of information will enhance competition and liquidity.
50.4	The roadmap shall foresee and plan for the termination of all interim measures no later than five (5) years after the coming into force of the Network Code.	The wording of this Article is not clear. It is the roadmap that will foresee (and should plan for) the termination of (all) interim measures within 5 years.	
50.12		We suggested deleting this Article and partly including its provisions in	

51(1).2c)	trades shall be made in a transparent and in a non-discriminatory manner through TSOs accepting network users' bids and offers for a Gas Day prior to or within such Gas Day.	Article 49.1 and 49.3 (see comments above). It is not clear to us what "interim portfolio nominations" and "optional information release ahead of Balancing Actions" means in practice, and so these should be excluded to avoid uncertainty or possible pre-emption.	Deleted: o
51(1).3	The TSOs shall consider whether a joint Balancing Platform may be implemented for adjacent Balancing Zones in the framework of the cross border cooperation defined in Chapter IV. A joint Balancing Platform shall be established and operated by the TSOs concerned through contractual arrangements for the due functioning and cooperation.	This change is necessary to clarify that trades on balancing platforms should be as a result of TSO acceptance of bids/offers before or during the gas day (ex-ante) rather than after the day (ex-post). The wording we have suggested deleting is superfluous or (if not considered superfluous) unclear. Also this change complements our suggested deletion of Article 10.8.	Deleted: a system of
51(2)2	In the case stated in Item 1 above, the TSO shall seek, via its roadmap referred to in Article 50, approval from the relevant national regulatory authority to enter into a contract for Balancing Services.	We do not understand the reference to including gas in LNG facilities in the Balancing Zone. LNG in LNG facilities is irrelevant to day to day system balancing whereas regasified LNG should always be included as an input to the Balancing Zone. Regasified LNG can also be offered as a balancing service. We suggest deleting this text unless ENTSOG are able to clarify its precise meaning.	Deleted: or where there is a sufficient interconnection and such joint Balancing Platform is deemed efficient to be implemented
51(2).3	The terms and conditions of such contractual arrangements to be entered into as well as the applicable prices and duration shall be approved, amended or rejected by the relevant national regulatory authority within three (3) months upon submission by the TSO and published on its website.	NRAs should not be obliged to approve the applicable prices and duration as if these are unreasonable or discriminatory they may need to reject or amend them. Also, we think 3 months is an appropriate period for NRAs to decide on these issues.	Deleted: for the following: a) 1
51(3)4	Any cost associated with reducing the flexible gas quantity provided under these contracts may be recovered through the neutrality mechanism as provided for in the methodology referred to Article 37.	We do not think the code should pre-empt that costs associated with reducing flexible gas must be recovered through neutrality. The extent to which it is appropriate to do so or not should be defined within the balancing neutrality methodology, which is another reason why we think this should be subject to consultation.	Deleted: ⁵¹ b) To include gas in LNG facilities in the Balancing Zone in a small market via contractual arrangements
			Deleted: [XX]
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51(4)3	The Price shall incentivise Network Users to balance their Inputs and Off-takes and not have a detrimental impact on cross-border trade. It shall be designed and applied in a non-discriminatory manner so as not deter market entry or impede the development of competitive markets.	As we are suggesting harmonising the small adjustment based on a percentage, we have included the relevant criteria referred to in Article 29 separately here. Also it is not just the proxy price that needs to satisfy these criteria but any interim imbalance cash-out price (i.e. administered or one derived from balancing platform trades)	Deleted: proxy for a market p
51(5).1	Tolerances may be applied in case Network Users do not have access to: a) A Liquid Short Term Wholesale Gas Market or short term flexible gas; or b) Sufficient and accurate information regarding their Inputs and Off-takes, to enable them to effectively undertake Balancing Activities within the Gas Day.	The application of tolerances should be considered where information provided about a network users inputs and offtakes is not just insufficient but inaccurate too, the consequences of which is that they are not able to effectively self balance within day.	Deleted: seek to satisfy the criteria set forth for the Small Adjustment (as provided in Article 29)
51(5).2a)	with regard to a Network User's Daily Imbalance Quantity;	Imbalance position is not a defined term.	Deleted: Deleted: position Formatted: English (U.S.)
51(5).3	The application of Tolerances shall reduce a Network User's exposure to Marginal Buy Price or Marginal Sell Price (as the case may be) in respect of a part of or all the Network User's Daily Imbalance Quantity for the Gas Day	Tolerances, if applied, should always be price tolerances so the use of "shall" is more appropriate here.	Deleted: may
51(5).8		We suggest deleting this Article as it is adequately covered in Article 51(5).9. Also tolerance level for the NDM offtake category should not necessarily be based only on the difference between the relevant NDM derived forecast and NDM exit allocation.	Deleted: National Rules may provide for a Non Daily Metered Off-take category. The Tolerance Level applicable for a Non Daily Metered Off-take category shall be based upon the difference between the relevant Non Daily Metered Derived Forecast and Non Daily Metered Exit Allocation.
Definition Balancing Activities		<div>Suggested Amendment</div> <div>means all the activities undertaken by TSOs or Network Users to fulfil the obligations set out in this Network Code which shall include but not be limited to TSOs taking Balancing</div>	<div>Justification</div> <div>We have suggested adding this extra wording so that balancing activities can be used within our suggested changes to Articles 32.2, 34.4a) and 51(5)1</div>

Balancing Platform	<p><u>Actions and Network Users adjusting their Inputs and Off-takes.</u></p> <p>means a Trading Platform used only for interim purposes <u>in accordance with Article 51 Item 1</u> and where a TSO shall be a Trading Participant to all trades</p>	<p>For the avoidance of doubt we think the definition should cross reference Article 51(1) which refers to interim balancing platforms.</p>	<div>Deleted: 5</div> <div>Deleted: 4</div>
Confirmation Deadline	<p>means <u>14:00 UTC</u> or, when daylight saving time is applied, <u>13:00 UTC</u> on Gas Day D-1.</p>	<p>Going forward, capacity will increasingly be allocated in a bundled way, via a single nomination and with the counterparties either side of the interconnection point being one and the same network user. In such circumstances we believe there should be scope to reduce the matching and confirmation period from its current 2 hours to 1 hour. This would have the benefit of allowing day ahead capacity auctions to be brought forward one hour to 14:30 UTC and in doing so will mean that the results of these auctions will be known by 17:00 UTC, whilst the market is still open.</p>	
Implied Nomination Flow Rate	<p>means <u>in a daily balancing regime</u>, the Network User's <u>daily nomination (re-nomination)</u> divided by the number of hours of Gas Day D remaining from the hour on which the nomination (respectively, re-nomination) is to take effect and the end of the Gas Day, expressed in kWh/h.</p>	<p>The original definition was unclear and so we have suggested a clarification based on our understanding of it (which may be incorrect). That said, we are not sure how a negative Implied Nomination Flow Rate could arise (based on the original definition or our suggested clarification) and lead to a rejection of a renomination under Article 23.1.ii.b) and so further consideration of this Article is</p>	<div>Deleted: in a daily nomination regime expressed in kWh/h and</div> <div>Deleted: as regard to Nomination and by the</div> <div>Deleted: number of hours of Gas Day D</div> <div>Deleted: a</div> <div>Deleted: -</div> <div>Deleted: as regard to re-nominations</div>

Input	means quantity of gas which has entered or is due to enter the Balancing Zone at an Entry Point plus, in relation to Article 23 Items 2 and 3 and Article 28 , VTP Buys	<p>necessary.</p> <p>Input is used frequently throughout the code to describe physical inputs, where VTP Buys are not relevant. Adding this distinction allows this to continue but includes VTP Buys where relevant (see also our comments on Article 23.2).</p> <p>See our comments regarding the definition of Input</p>	Deleted: Tolerance
Off-take	means a quantity of which has exited or is due to exit the Balancing Zone at an Exit Point plus, in relation to Article 23 Items 2 and 3 and Article 28 , VTP Sells		
Price	means Marginal Buy Price or Marginal Sell Price or the Weighted Average Price where a Article 51 Item 4 applies	<p>The definition should not relate to when a tolerance applies but to when Article 51(4) applies, as this specifically covers interim imbalance cash-out price determination. A separate imbalance price determination process would not normally be expected when tolerances apply as the whole purpose of the tolerance is to provide price relief from imbalance prices applicable under the balancing target model (i.e. Article 29). However, to the extent this may be necessary Item (5) could be added to the list of interim measures referred to in Article 51(4). 1.</p>	Deleted: Title
Temporal Locational Market Product	means a Locational Market Product where the gas is transferred from one Trading Participant to another during a specific period of time within a Gas Day and with a corresponding specific Entry and/or Exit	<p>A temporal locational market product is not a title market product, albeit it results in a trade notification (as do locational market products). For clarity, ENTSOG may want to consider creating a generic definition of</p>	

	point(s) as detailed in Chapter IV.	Temporal Market Products, which would consist of both Temporal Title Market Products and Temporal Locational Market Products.	
Title Market Product	means the product <u>as detailed in Chapter IV.</u>	Title market product is detailed in Chapter IV, not defined, in the same way as the other short term standardised products are detailed in Chapter IV	Deleted: defined
Tolerance Level	means an amount of the Daily Imbalance Quantity to which the Weighted Average Price is used instead of the Marginal Buy Price or Marginal Sell Price.	System Marginal Buy Price and System Marginal Sell Price are not defined terms.	Deleted: System Deleted: System
Trading Platform	means an electronic platform provided and operated by a Trading Platform Operator by means of which Trading Participants may post and accept (including the right to revise and withdraw) bids and offers <u>anonymously</u> for <u>one or more Short Term Standardised Product</u> in accordance with the terms and conditions applicable on the Trading Platform.	The principle of anonymity should apply to posting and accepting of bids and offers. Also, we do not think the use of flexible gas is appropriate in this context and the reference instead should be to one or more STSP.	Deleted: flexible gas
Transmission System	means a high pressure transmission network of a TSO consisting of terminals, compressor stations, pipeline systems and <u>Entry and Exit Points.</u>	Off-take points are not specifically defined and so Exit Points should be used instead. Also if mentioning Exit Points the definition should also mention Entry Points to avoid any possible misunderstanding.	Deleted: Off-take Deleted: p
Weighted Average Price	means the energy weighted average price of Title Market Products <u>traded for delivery</u> <u>subject to Article 15 Item 1</u> , in respect of a Gas Day. The Title Market Products shall be	To avoid any confusion the reference to short term trades should be replaced by a reference to Article 15.1, which specifically describes the periods in which TSOs are allowed to buy	Deleted: short-term trades in Deleted: carried out at the virtual trading point Deleted: short-term related trades

	<p><u>traded</u> made on pre-identified Trading Platforms as detailed in the <u>Daily Imbalance Charge Calculation Methodology</u>.</p>	<p>products for delivery in respect of a gas day. Also, as per our comments to Article 27.3, the pre-identified Trading Platforms on which TSOs are allowed to take balancing actions should be detailed in the daily imbalance charge methodology referred to in Article 27, which should be subject to stakeholder consultation.</p>	<p>Deleted: , [exchanges or via recognized price reporting], as determined by TSOs and approved by national regulatory authorities</p>
Within Day Obligation	<p>means <u>an</u> obligation imposed by TSOs on Network Users <u>specifically, or in aggregate,</u> regarding <u>their</u> Inputs and Off-takes within the Gas Day.</p>	<p>Within day obligations need not be applied just to network users' individual inputs and offtakes within the gas day, but could also apply to the collective inputs and offtakes of network users as per the Dutch system.</p>	<p>Deleted: specific</p> <p>Deleted: Network Users'</p>