

ENDESA answer to ERGEG Public Consultation paper on Pilot Framework Guideline on Gas Balancing Rules (E10-GNM-13-03b)

From ENDESA we appreciate the possibility of participating in the Public Consultation. Our objective in this paper is to set out some practical considerations to help that a transition to market-based balancing is achieved across Europe.

The following section answers in detail the questions set out in ERGEG's consultation paper.

1. Problem identification, scope, definitions, purpose, policy objectives and compliance

- Question 1: Do you agree that the problems identified in the problem identification chapter are the main ones? Are there additional problems that should be addressed within the gas balancing pilot framework guideline?
- Question 2: Do you agree with the scope (section 1) and objectives (section 3) of this pilot framework guideline? Are there policy issues that should, but are not currently addressed by the draft document?
- Question 3: In your view, should the European network code for gas balancing lead to an amendment of national balancing rules? If so, how detailed should the European target model be?
- Question 4: Do you agree with the approach of defining a target model for the network code and allowing interim steps subject to NRA approval?
- Question 5: What timescale is needed to implement the provisions in the target model outlined in Part II after the network code is adopted? Is 12 months (as in section 10) appropriate or should it be shorter or longer?
- Question 6: Should the pilot framework guideline be more specific regarding the purpose and policy objectives for network codes (section 3), in particular areas including nomination procedures?
- Question 7: With reference to section 3 (proposed policy objectives), do you have comments on how Article 21 of the Gas Regulation 715/2009 should be reflected in the gas balancing network code?

- *We agree with the problems identified.*
- *We consider that the document should tackle other aspects like gas quality and gas temperatures. To avoid cross border imbalance caused by different national definitions of quality, the Gross Calorific Value shall be measured in the same conditions across Europe (For Example, a zero degrees Celsius)*
- *Twelve months to implement the target model will probably be a short time.*
- *We consider that the framework guideline should include nomination and re-nomination procedures. The nomination rules should allow a coordinated interaction between gas and electricity markets.*

2. The role of network users and TSOs

- Question 8: Is it necessary to have a harmonised approach to the network user and TSO roles regarding gas balancing?
- Question 9: What are your views on the proposals for the target model to be reducing the need for TSOs to undertake balancing activities?
- Question 10: Is it appropriate for the target model to impose within-day constraints on network users? If so, should such constraints be imposed on all network users or only on certain groups of network users? If within-day constraints should only be imposed on certain groups of network users, which ones are these? How could this be justified?
- Question 11: Is balancing against a pre-determined off-take profile a useful interim step?
- Question 12: Should TSOs have the option to sell flexibility provided by the gas transmission pipelines system (linepack) subject to the NRAs' approval? If so, should this be mandatory?
- Question 13: Should the target model enable TSOs to provide tolerances to market participants for free or should this be an interim step?

- *The imbalance charges should incentivise the parties to maintain their portfolios in balance. Thus, users should have information about their imbalances and the prices of the imbalance position.*

3. TSO obligations on information provision

Question 14: Are there any additional information requirements that you believe should be included? In particular, should the pilot framework guideline oblige TSOs to provide information beyond the requirements set out in the revised Article 21 and Chapter 3 of Annex 1 to Regulation (EC) No 715/2009 (as recently approved through comitology)? If so, please provide details?

Question 15: What are the benefits and disadvantages of TSOs providing network users with system information?

Question 16: What are the costs of TSOs providing network users with system information? How do these compare against the benefits and/ or disadvantages?

- *The information provided for TSOs should be without any charge and it should be sent in the gas-day, at the beginning of every day and the forecast at the end of the day.*
- *There should be a degree of protection of the commercial information. The information should be aggregated per balancing zone.*

4. Balancing periods

Question 17: What are your views on our assessment of the policy options?

Question 18: Are there relevant additional policy options on balancing periods which have not been considered in this section? Should these be considered going forward?

Question 19: Is it necessary to harmonise balancing periods? If so, what are the benefits of a regional or pan-European harmonised balancing period? If not, why is it not necessary? Please explain your answer.

Question 20: If you agree with a harmonised balancing period, what do you consider is the appropriate length of the balancing period?

Question 21: Do you agree with the target model? (Please explain your answer).

Question 22: What would be the costs of implementing the target model in (and beyond) your Member State or balancing zones(s) (as the case may be)?

- *We consider that the balancing periods should be harmonised on a day basis. This kind of regime is less complex to manage and less expensive. This will help to develop an integrated EU market.*
- *A standard gas day should be set-up across Europe and it would help to harmonise the balancing regimes.*
- *We consider that the gas-day should be from 0h to 24h, like in electricity markets. This would help a better coordination between both electricity and gas markets.*

So, we propose a daily balancing across Europe and a gas day from 0h to 24h.

5. TSO buying and selling of flexible gas and balancing services

Question 23: Do you agree with our assessment of the policy options?

Question 24: Do you agree with the target model? (Please give reasons). If so, what do you consider are the benefits and disadvantages of the target model?

Question 25: What are the costs of implementing the target model in your Member State?

Question 26: What interim steps, if any, may be needed in your Member State or balancing zone(s)?

Question 27: Is it appropriate for balancing platforms to be part of the target model subject to NRA approval, even where markets are sufficiently liquid to enable TSO procurement on wholesale markets?

Question 28: Is it appropriate for TSOs to procure balancing services on the wholesale market and/or or is appropriate for these to be procured on the balancing platform? Should TSOs be permitted to reserve long-term contracts for flexible gas and/ or associated capacity for this purpose?

Question 29: In your view is it possible in your market to reduce TSOs' reliance on long-term products? If so, how may this be best achieved?

- *TSOs should engage in residual balancing actions if the network users have failed.*
- *TSOs should not do transactions for benefit. They should buy and sell balancing gas to maintain the pressure within the limits of the pipeline.*

6. Imbalance Charges

Question 30: Do you agree with our assessment of the policy options?

Question 31: Do you agree that methods for calculating imbalance charges should be harmonised? If so please explain what the benefits may be. If not, please explain why not.

Question 32: What are your views of the target model? In particular, please provide your views on:

- Whether an imbalance charge should be applied when TSOs do not take balancing actions;
- What the imbalance charge should be based on, if it is applied when the TSO has not taken a balancing action, whether imbalance charges should be dual or single priced;
- Whether imbalance charges should be based on the marginal price.

Question 33: What would be the costs and benefits of implementing your preferred options in your Member State?

Question 34: What are your views on the interim steps in the document?

-The imbalances charges should be cost-reflective and provide appropriate incentives as is written in the text of the article 21.3 of the European Regulation 715/2009.

-The imbalances should be calculated per balancing group.

-The prices of the imbalances should be based on the wholesale market and they should reflect the costs that TSOs undertake for residual balancing actions.

7. Cross-border cooperation

Question 35: Are there any other relevant policy options on cross-border cooperation that should have been included in this section?

Question 36: Do you agree with our assessment of the policy options in this section?

Question 37: Are Operational Balancing Accounts (OBAs) useful to deal with steering differences? Should the network code make it mandatory on TSOs to put in place OBAs

- The balancing zone should not be constrained by national borders.

- TSOs should allow cross-border agreements to encourage parties to facilitate larger balancing zones within market areas.