

### **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?

Answer 1: Yes, we agree that general the issues are correct.

However, some further issues that exist in the Polish market should be taken in to consideration, and specifically:

- TSO must not apply network code provisions (e.g. in respect of nominations) that limit the user's access to balancing tools such as UGS capacity, or renomination during the current gas day. This situation leads to additional, unjustified charges on the part of the users.
- TSO must not double-charge for its services, which currently is the case in the Polish system and is allowed under the TSO's network code. This concerns the charges for divergence from nominations and imbalance charges, as divergence from nomination leads to imbalance. (Furthermore, charges at the end of the settlement period should not be applied as they are unavoidable and there is a method of accounting for them specified by TSO)
- it should be determined whether the imbalance charges payable to TSO should be set forth in tariffs or TSO codes.
- the need for ensuring the necessary data / information by the TSO should be underscored, as this will enable the network users to take informed decisions regarding the measures to be used in accordance with the established balancing mechanisms. TSO must be take the responsibility for the information it provides, as the lack of or inaccurate information makes it impossible to avoid or reduce the imbalance. The experience from the Polish market shows that the provisions implemented by Regulations 1775 and 715 or ERGEG Guidelines 2006 have not resolved this problem. TSO does not provide adequate information, both regarding its scope and quality, and, at the same time, expect the users to balance and imposes the related charges. This leads to unjustified additional costs on the part of the users.
- the question of access to UGS capacity for TSO in those countries where keeping mandatory stocks is required should be addressed. The options are limited. It is not clear what is the priority and what happens in case when the capacity is not used by TSO.
- it should be clearly indicated that the guidelines., which are being developed at the moment, will apply to national transmission systems
- Difference in measure unit may create additional problem making market fragmentation.

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?

Answer 2: Yes, we agree.

Remarks concerning the definitions:

- Balancing regime – the definition to be supplemented to include the scope of necessary information to be provided to system users, with an assurance of its quality (responsibility of TSO for its actions)
- we could suggest definitions of data to be provided to system users – the scope and quality of information to be provided to system users by TSO in order to enable their informed decision as to balancing measures and response to any resulting imbalance(?)

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?

Answer 3: Yes, the European network code should lead to an amendment of national balancing rules. The European target model should take into account the specific conditions of each market and its development, e.g. not everywhere it is possible to implement rules relying on market-based mechanisms.

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?

Answer 4: Yes, we agree.

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?

Answer 5: It should be longer due to lack of a liquid gas market and insufficient information.

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?

Answer 6: Yes. The pilot framework guideline should be more specific and describe renomination procedure in order to facilitate balancing

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?

Answer 7: The provisions of the Regulation are general. They should provide a basis for detailed guidelines (which should be binding). The guidelines, in turn, should be taken into account by TSO in the definition of its codes. The issues brought up in Q1 should be addressed in the guidelines.

### **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?

Answer 8: Yes, it is.

Question 9: What are your views on the proposals for the target model to be reducing the need for TSOs to undertake balancing activities?

Answer 9: In our opinion proposed target model creates a mechanism that encourages users to balance and reduce imbalance charges. TSO should enable network users to take adequate measures.

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?

Answer 10: Such measures could only be considered for emergency situations, e.g. threat to energy security. In such case they should be imposed on all network users.

Question 11: Is balancing against a pre-determined off-take profile a useful interim step?

Answer 11: Yes, it is.

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?

Answer 12: Yes. This should 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?

Answer 13: Yes. The target model should enable TSOs to provide tolerances to market participants for free.

### **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?

Answers 14: TSO should have appropriate incentives to provide reliable information consistent with the real off-take.

Particularly, TSO should provide system users with necessary scope of data / information so that they can take decision on actions to be taken in accordance with the established balancing mechanisms. TSO must take the responsibility for the information it provides, as the lack of or inaccurate information makes it impossible to avoid or reduce the imbalance. The experience from the Polish market shows that the provisions implemented by Regulations 1775 and 715 or ERGEG Guidelines 2006 have not resolved this problem. TSO does not provide adequate information, both regarding its scope and quality, and, at the same time, expect the users to balance and imposes the related charges. This leads to unjustified additional costs on the part of the users.

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

Answers 15: Without sufficient information for all users concerning the level of imbalances, network users have no possibility to take the necessary action to reduce their imbalance and they may end up paying higher imbalance charges. Information system causes additional IT costs for TSO. A clear information system facilitates the access to gas market for new entrants. The access to adequate scope and quality of information is a key driver supporting the development of this market.

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

Answers 16: The costs of TSOs providing network users with system information are high, but much lower than costs of action taken by TSO to reduce imbalance resulting in case when network users take actions based in inaccurate information. Information about actual balance position (specific figure) can be obtained only from TSO. Furthermore, TSOs have for many years reflected the costs of system development in their tariffs, which means that network users are incurring the related costs.

### **Balancing periods**

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

Answers 17: In our view your assessment of the policy option is interesting and in general, sufficient. It should be mentioned in the "Daily System" that the nomination procedure permits network users to make renomination during gas day to adjust volume of gas entering the system to their imbalance position.

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?

Answer 18: No, there aren't.

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.

Answer 19: Yes. Common balancing period will facilitate the managing of nomination and cross-border trade.

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

Answer 20: Daily system is appropriate.

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

Answer 21: Yes. We agree with the daily system as the target model. A daily period gives market participants more time to access flexible sources of gas or to trade out any imbalances. It reduces their transaction costs. In addition, the costs of adapting TSO to a model with a shorter than daily balancing period could be substantial, which eventually would be reflected in the gas price for consumers.

## **TSO buying and selling of flexible gas and balancing services**

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

Answer 23: Yes, we agree.

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?

Answer 24: Yes, we agree. In our view trading on the wholesale market creates market liquidity, reduces barriers to entry and encourages cross-border trading. Imbalance charges can be more cost-reflective for market based procurement methods than for other methods. Nevertheless, TSO should have some sources of flexible gas to ensure system integrity and local flexibility. If TSO reserves more gas and capacity than they actually need, then TSO should offer additional gas on intraday wholesale market.

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?

Answer 27: Yes it is.

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?

Answer 28: TSO should look for the cheapest offer to purchase flexible gas either on the wholesale market or long term contracts.

## **Imbalance Charges**

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

Answer 30: Yes. In general, we agree, but we think that TSOs should not gain any benefit in case when they do not take any balancing action.

- TSO must not double-charge for its services, which currently is the case in the Polish system and is allowed under the TSO's network code. This concerns the charges for divergence from nominations and imbalance charges, as divergence from nomination leads to imbalance. (Furthermore, charges at the end of the settlement period should not be applied as they are unavoidable and there is a method of accounting for them specified by TSO)
- it should be determined whether the imbalance charges payable to TSO should be set forth in tariffs or TSO codes.

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.

Answer 31: The methods for calculating imbalance charges should be harmonised. It will facilitate market integration across Europe and cross border trade. However, this may be impossible in some countries, especially when the calculation refers to a liquid market.

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.

Answer 32:

In our view an imbalance charge should be applied only when TSOs take balancing actions. If the imbalance charge is applied only when TSOs take balancing actions, the imbalance charge should be calculated based on dual pricing mechanism, which gives benefit to the network users if the imbalance helps balance the system.

If the imbalance charge is applied when the TSO has not taken a balancing action the calculation methods should be based on single priced mechanism because when the system is within balanced limit it is difficult to determine which imbalance helps the system. Imbalance charges should be based on the marginal price that encourages market participants to balance their portfolio.

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

Answer 34:

If the wholesale market does not exist then balance charges in interim steps should be based on administrative price approved by NRA not on proxy price.

### **Cross-border cooperation**

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

Answer 35: No, there aren't.

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

Answer 36: Yes, we do.

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?

Answer 37: Operational Balancing Accounts (OBAs) are useful to deal with steering differences. The network code should make it mandatory.