

GTS  
Electronic submission via email

23 July 2021

## **Subject: EFET<sup>1</sup> comments on the GTS Proposed Improvements to the Balancing Regime**

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The European Federation of Energy Traders (EFET) welcomes the opportunity to comment on the GTS Proposed Improvements to the Balancing Regime. Our response is not confidential.

GTS is asking for written views from the market on improvements to the balancing actions and the evolution of the balancing system. EFET's comments on both proposals are below.

### **Improvements to Balancing Actions**

In September 2020 GTS started taking balancing actions at a random moment between 21 and 22 minutes past the hour. This was to prevent the predictability of a GTS balancing action so that network users could not take advantage of the situation by adjusting the bids to their own benefit depending on the balancing action. From GTS's own analysis the price discovery process has improved since no extremely high prices have been seen since 3 September 2020. This would suggest that the action that GTS has taken has had the desired effect.

To begin with, EFET requests the chance to better understand what other issues GTS is trying to solve with the latest balancing action proposals. In light of the proposed changes and significant increase in charges, plus the introduction of new charges that affect all shippers transporting gas through the Dutch transmission system, we ask that GTS hold more information sessions in English, so that more shippers can contribute, discuss the results of the written responses, and have a chance to input into any proposed changes to the GTS balancing regime before they are discussed in a formal GEN meeting which would be held in Dutch. We do not think that holding one information session is adequate for such an important change to the GTS balancing rules and a more wide-ranging discussion about possible options and their impacts should be considered bearing in mind the TTF's status as the most predominant gas market in Europe.

Secondly, depending on the exact nature of the problem this proposal is trying to address, EFET would suggest taking appropriate measures accordingly, if necessary. Despite the remaining unclarity, as described in the remainder of this letter, EFET will describe an escalation pathway for measures to be taken in response to the unwanted behaviour. In general, less restrictive measures and measures aimed at the problematic behaviour are to be favoured over measures restricting prudent market participants.

Thirdly, any amendment to the current balancing regime should aid the TTF to remain a liquid market going forward, and should be able to cope with changes due to (i) in the energy transition (and the associated increase in intermittency in electricity generation), (ii) the closure of the Groningen field and the exit of incumbent shipper GasTerra (affecting market flows and tying security of supply in the TTF area to other hubs) and (iii) the repurposing of parts of the

<sup>1</sup> The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org).

methane grid for hydrogen transport (and potential consequences to pressure and linepack). Given the circumstances as depicted above, EFET would see merit in running a more thorough analysis into the current and future effectiveness of the balancing regime first, before any further requirements/rules are imposed on shippers .

Finally, EFET wants to suggest that if GTS is seeing behaviour that it thinks could be interpreted as improper, it should approach the individual shipper concerned directly, or in conjunction with ICE Endex and/ or ACM for repeated offences or where the system is endangered. A warning, license revocation, a REMIT penalty by ACM or membership withdrawal by Ice Endex appear the most appropriate instruments against gaming type of behaviour by individual shippers. In case, however, further action is already deemed necessary nonetheless EFET proposes the following ladder of escalation to be applied in this matter.

EFET calls for GTS to make use of the available tools provided in NC BAL, as are described next and only resorting to other 'patches' when the available tools are proven insufficient. A drastic measure, like a limit to parties' positions, is currently not warranted, since adequate prevention of the unwanted behaviour can be achieved by:

- 1) GTS to intervene in the market at random times and for non-predefined volumes without damaging shippers freedom in the market. Notably, GTS behaviour would have to become subject to incentives to avoid the risk of excessive balancing costs.
- 2) Using the full suite of tools available in NCBAL and resorting to locational and or temporal products (as described in NCBAL article 7) to effectively bring the system back in balance and preventing (i) balancing too early and (ii) dragging an imbalance when shippers don't physically respond. Any potential price increase over the limitation of available offers is offset by the prevention of the unwanted behavior and the benefit to liquidity on TTF further, allowing gas shippers and electricity producers to hedge their risks on TTF, while also enabling them to take larger positions into the delivery day to cope with the intermittency in electricity generation.

Any measure restricting market parties' freedom to enter into the position they want (like the 4 GW/h rule proposal) should be prevented, since it interferes with prudent shippers behaviour. For perfectly prudent reasons, in relation to the TTF, the electricity market or even fundamentals beyond The Netherlands, shippers should be able to enter into the positions they deem relevant, having made the appropriate nominations. EFET has concerns that the 4GWh limit on an imbalance could see GTS taking a balancing action when the system is actually in balance. Introducing a 4GWh limit will thereby increase the number of balancing actions that the TSO takes when balancing actions by the TSO should be kept to a minimum. By imposing this limit GTS will limit the actions of prudent shippers. Any limitation to shippers' freedoms would severely weaken TTFs attractiveness as a liquid trading hub. Moreover, applying any position limit type of rule to specific types of shippers, will prove legally difficult due to its discriminatory element<sup>2</sup>.

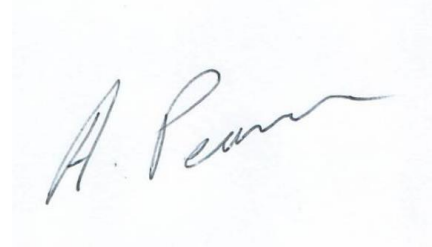
<sup>2</sup> Conflicting with e.g. NC BAL article 6(4) "While undertaking balancing actions the transmission system operator shall take into account the following principles: (a) the balancing actions shall be undertaken on a non-discriminatory basis;"

**Further questions**

On slide 44 of the Market Session presentation from 1 July GTS propose a 2% additional charge on the existing process of bringing the SBS within operational limits. We would like to understand where the 2% is derived from.

EFET would like more clarity on the proposed 3% actual gas price cost of the LFS. This is a substantial increase from 0.4% currently used. We would like to understand the rationale behind moving from the neutral gas price to the 'actual gas price', which as yet has remained an undefined term.

Kind Regards,  
On behalf of EFET TF BeNeLux



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