

Appendix 2 : Market consultation 9 - public material

- a. E-mail: invitation to submit comments
- b. List of documents in consultation
- c. Printed copy of written comments
- d. Questions & Answers

E-mail: invitation to submit comments



Balansys: Market Consultation 9 Incentivizing the Network Users for balancing

Dear Customer,

From **July 12th to August 16th 2023**, you will have the occasion to participate in our market consultation regarding changes in the regulated documents, with a focus on the following subjects:

- Introduction of Main Causer and Minor Causer concept;
- Changes to the settlement methodology where
 - Introduction of an encouragement factor for Within-Day settlement
 - Differentiation of small adjustments between Main and Minor Causers

The consultation 9 is an update of the [consultation 8](#), where the feedback on market consultation 8 has been taken into account.

The document explaining the proposed adjustments is available on our [website](#).

We invite you to send your comments to marketing@balansys.eu by **Wednesday August 16th 2023 (close of business)** at the latest. Do not forget to specify in your email whether the content is to be treated as confidential or not. Unless otherwise specified, all comments will be treated as non-confidential.

We thank you in advance for your cooperation and remain at your disposal for further information via info@balansys.eu.

Yours sincerely,

The Commercial Team

List of documents in consultation

MARKET CONSULTATION FROM 12 JULY TO 16 AUGUST 2023

Balansys is proposing adjustments to its regulated documents in order to incentivize all Network Users to comply with their balancing obligations, the changes focus on:

- i. Introduction of Main Causer and Minor Causer concepts;
- ii. Changes to the settlement methodology where
 - a. Introduction of an incentivizing factor for Within-Day settlements
 - b. Differentiation of small adjustments between Main and Minor Causers

The consultation 9 is a follow-up after the consultation 8, where the feedback on market consultation 8 has been taken into account. The consultation starts on July 12th and ends on August 16th 2023 close of business.

The following document summarizes the proposed changes: [Summary note](#).

Documents in consultation (with track changes)

- [Balancing Code](#)
- [Balancing Program](#)

You are kindly invited to send your written comments to marketing@balansys.eu by Wednesday August 16th 2023 close of business.

Please specify in your response, whether the content is to be treated as confidential or not. Unless otherwise mentioned, all comments will be treated as non-confidential.

The documents are available on our website: <http://www.balansys.eu/market-consultation/>

Printed copy of written comments



ENGIE's comments on BALANSYS' consultation – 2023/08

ENGIE appreciates that, compared to the previous consultation, the market threshold used to determine Main Causers has been fixed and raised to 20%.

When the new balancing market design will be in place, ENGIE suggest that Balansys puts in place additional APIs to allow shippers to access in top of their balancing position, their status (helper, Main causer, Minor causer), and the settlement prices for each status. This would allow shippers to monitor their balancing position and assess their risks correctly.

Date: 16/08/2023
Auteur: Steven Harlem
Addressee: Balansys



BALANSYS CONSULTATION #9 Incentivizing the Network Users for balancing

1. INTRODUCTION

Balansys is organizing a market consultation (#9) on proposals for adjustment to its regulated documents in order to incentivize all Network Users to comply with their balancing obligations. The changes focus on:

- introduction of Main Causers and Minor Causers concepts;
- changes to the settlement methodology where:
 - o introduction of an incentivizing factor for Within-Day settlements,
 - o differentiation of small adjustments between Main and Minor Causers.

The consultation is open until the 16th of August, 2023.

Luminus would like to thank Balansys for providing market actors with the possibility to comment the proposals.

The comments and suggestions of Luminus are not confidential. They cannot in any way be explained or interpreted as a consent with the proposals of Balansys. Luminus explicitly reserves the right to contest the modifications to the regulated documents in order to incentivize all Network Users.

2. COMMENTS AND SUGGESTIONS

2.1. INTRODUCTION OF MAIN AND MINOR CAUSERS CONCEPT

Balansys proposes to introduce the Main and Minor Causers concept whereby the distinction between Main and Minor Causer will be determined by the Main Causer Limits (lower and upper) and these limits will be set at 20 % of the Market Thresholds.

Luminus notices that the Main Causer Limits (lower and upper) has been set at 20% of the Market Thresholds. In the documents for market consultation #8 it was suggested to set these limits at 15% of the Market Thresholds. Balansys doesn't explain why the Main Causer Limits are set at that level and why they have been increased. **The Main Causer Limits are not explained nor justified and seem therefore to be set arbitrarily.** More in general, the consultation documents don't explain in any way the observations of Balansys, the expected efficiency of the proposed incentives and the expected financial consequences for the balancing costs of Balansys let alone that market actors would be able to assess the reasonable and proportionate character of the proposals.

Luminus also wants to point out that the balancing challenges are very different from Network User to Network User. Network Users with end consumers in Belgium (flexible gas-fired power plants, industrial consumers and temperature driven residential consumers) face more uncertainties than Network Users using the Belgian network for transit or trading. Luminus believes that the gas network flexibility should be primarily used to absorb the uncertainty in the end customers hourly consumption in Belgium. **An absolute Main Causer Limit (lower and upper) as a % of the Market Threshold is therefore discriminatory and disproportionately penalising one category of Network Users.**

Therefore, Luminus strongly suggests the main causer upper and lower limits to be **equal to each shippers actual share in the whole of the Belgian end customer's portfolio**, instead of having a fix value for all shippers whether they have end customers in Belgium or they are merely using the Belgian network for transit or for trading. Luminus would welcome further investigation and finetuning of this proposal as the counterarguments put forward in the 'summary note' are not convincing at all and certainly not sufficiently justified:

- the distinction between Main and Minor Causers as well as the proposed associated 'Incentivizing Factor' and 'Small Adjustments' are creating discriminations which are negatively impacting the market-based balancing system and its inherent benefits;
- the proposed incentive scheme is indeed also applicable on Network Users having no domestic exit, but traders and transit shippers have not the same balancing challenge either;

- Network Users have indeed full ownership, but the fact that Network Users have different challenges – and related flexibility needs - is ignored;
- Balansys is not transparent on the further investigations – methodology and results - that have been conducted.

2.2. CHANGES TO THE SETTLEMENT METHODOLOGY

Using an absolute Main Causer Limit to make the distinction between Main and Minor Causer is discriminatory. This discrimination is reinforced by the way the Incentivizing Factor and the Small Adjustments are set.

- Incentivizing Factor

Luminus believes that a 10 % Incentivizing Factor for Main Causers is extremely high, and that a lower factor will suffice to incentivize shippers to stay within the Main Causer upper and lower limits. **Luminus urges Balansys to set the encouragement factor for Main Causers at 5 %.** Furthermore, Luminus is of the opinion that all shippers should be incentivized: as the Small Adjustments would be set at 0 %, Luminus proposes **to introduce a 3 % Incentivizing Factor for Minor Causers.**

- Small Adjustments

Luminus would consider it unfair and discriminatory that some shippers, i.e. Minor Causers, would be exempted from any Small Adjustment while they are also contributing to the imbalance. Therefore, Luminus proposes to **maintain the Small Adjustments at 3 % for both the Minor Causers as the Main Causers.**

2.3. CONCLUSION

Luminus believes that the **Balansys proposals for modification of the imbalance settlement are not balanced, not fair and even discriminatory.** Contrary to what is mentioned in the 'summary note', it is not the objective of Balansys to incentivize all Network Users for balancing but only a certain category of Network Users. Luminus is of the opinion that the proposed differentiation between Main Causer and Minor Causer is discriminatory and that a fair imbalance settlement mechanism is based on the principle that all shippers contributing to the imbalance are incentivized to reduce this imbalance and that these incentives should be set in function of the shippers' contribution to the system imbalance.



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**Eni S.p.A. response
to Balansys' Market Consultation 9 of 12 July 2023,
Incentivizing the Network Users for balancing,
regarding changes in the regulated documents**

Eni welcomes the opportunity to provide inputs to Balansys' Market Consultation 9, Incentivizing the Network Users, regarding changes in the regulated documents related to the following subjects:

- i. Introduction of Main Causer and Minor Causer concept
- ii. Changes to the settlement methodology with
 - a. Introduction of an encouragement factor for Within-Day settlements
 - b. Differentiation of small adjustments between Main and Minor Causers

Eni wants to highlight that it is not against the concept of the Main and Minor causer and the settlement methodology behind it. Nevertheless, Eni would like to provide its view on the following point:

- a) The within-day and end-of-day settlement

Eni is of the opinion that, in case of Within-Day Market Shortfall or Within-Day Market Excess, Balansys should first consider the expected End-of-Day Network User Balancing Position, based on the projected nominations of the market players at that specific hour.

It should not be the purpose of within-day settlements to cause end-of-day shortfalls for players who were acting towards a balanced position end-of-day.

Hence, with reference to the relevant hour h to which either a Within-Day Market Shortfall or Within-Day Market Excess applies, Eni proposes a two-step approach:

- 1) In a first stage, for the relevant hour h Balansys takes actions towards the (i) main causers and (ii) the minor causers who are not balanced end-of-day (i.e. for which the expected End-of-Day Network User Balancing Position is different from zero);
- 2) If those actions are not sufficient, then Balansys also takes actions towards the minor causers whose expected End-of-Day Network User Balancing Position is equal to zero.

To conclude, we kindly invite Balansys to consider our above-mentioned point.

Questions & Answers

Questions and Answers

| # | From | Confidential? | Topic | Questions / Comments by Stakeholders | Answers / Comments by Balansys |
|---|-------|---------------|-----------------------------------|---|--|
| 1 | ENGIE | NO | Main Causer Upper/Lower Limits | ENGIE appreciates that, compared to the previous consultation, the market threshold used to determine Main Causers has been fixed and raised to 20%. | This recommendation has been integrated. |
| 2 | ENGIE | NO | Additional Settlement Information | ENGIE suggest that Balansys puts in place additional APIs to allow shippers to access in top of their balancing position, their status (helper, Main causer, Minor causer), and the settlement prices for each status. | <p>The Electronic Data Platform will be modified so that the Grid User will be able to know its status (main causer, minor causer or helper), each hour. The balancing settlement price for each status will be published on EDP ex-post.</p> <p>Balansys might consider in a later phase to include a feature in EDP to warn shippers that they're in Main Causer position.</p> |
| 3 | ENI | NO | Within-day settlements | Eni is of the opinion that, in case of Within-Day Market Shortfall or Within-Day Market Excess, Balansys should first consider the expected End-of-Day Network User Balancing Position, based on the projected nominations of the market players at that specific hour. It should not be the purpose of within-day settlements to cause end-of-day shortfalls for players who were acting towards a balanced position end-of-day. | <p>The proposal is not aligned with the current market balancing system in place since 2013, with hourly limits to be respected. To guarantee the system integrity, we can't only look at the End of Day limit/thresholds.</p> <p>The shippers are now receiving their forecasted balancing position and the forecasted market balancing position.</p> <p>According Article 25 of the Network Code on Gas Balancing of Transmission Networks, a system-wide within day obligation shall be designed to provide incentives for network users to keep the transmission network within its operational limits and the related charge shall be based on the individual within day position of the network user.</p> <p>For the avoidance of doubt: as long as the market remains within it limits, no within day settlements will occur.</p> |

Questions and Answers

| # | From | Confidential? | Topic | Questions / Comments by Stakeholders | Answers / Comments by Balansys |
|---|---------|---------------|--------------------------------|---|---|
| 4 | ENI | NO | Within-day settlements | Hence, with reference to the relevant hour h to which either a Within-Day Market Shortfall or Within-Day Market Excess applies, Eni proposes a two-step approach: 1) In a first stage, for the relevant hour h Balansys takes actions towards the (i) main causers and (ii) the minor causers who are not balanced end-of-day (i.e. for which the expected End-of-Day Network User Balancing Position is different from zero); 2) If those actions are not sufficient, then Balansys also takes actions towards the minor causers whose expected End-of-Day Network User Balancing Position is equal to zero. | The proposal is not aligned with the current market balancing system in place since 2013, with hourly limits to be respected. To guarantee the system integrity, we can't only look at the End of Day limit/thresholds. Shipper with domestic exits will always have some imbalance at end of day (it is in practice not possible for them to know the consumption of their customers). So for them, there is no advantage in distinguishing. |
| 5 | LUMINUS | NO | Main and Minor Causers Concept | The Main Causer Limits (lower and upper) has been set at 20% of the Market Thresholds. In the documents for market consultation #8 it was suggested to set these limits at 15% of the Market Thresholds. Balansys doesn't explain why the Main Causer Limits are set at that level and why they have been increased. The Main Causer Limits are not explained nor justified and seem therefore to be set arbitrarily. | Market feedback from Consultation 8 was taken into account and introduced in Consultation 9. Main Causer Limits (Upper and Lower) are now proposed to be equal to 20% of the Market Threshold and published in the regulated documents. These limits have been fixed based on market analysis of the last years asked by and discussed with the regulators. The results of this analysis contains commercially sensitive information, and can't be included in the report of the Consultation. |
| 6 | LUMINUS | NO | Main and Minor Causers Concept | Luminus also wants to point out that the balancing challenges are very different from Network User to Network User. Network Users with end consumers in Belgium (flexible gas-fired power plants, industrial consumers and temperature driven residential consumers) face more uncertainties than Network Users using the Belgian network for transit or trading. Luminus believes that the gas network flexibility should be primarily used to absorb the uncertainty in the end customers hourly consumption in Belgian. An absolute Main Causer Limit (lower and upper) as a % of the Market Threshold is therefore discriminatory and disproportionately penalising one category of Network Users. | A part of the network flexibility is allocated to the imbalance smoothing that aims at neutralising, on a daily basis, the hourly profiled flow on the Belgian distribution domestic points. The hourly imbalance smoothing allocations of each network user are calculated according to the total forecasted flow of the distribution networks and the provisional allocations for each network user to the distribution networks. This mechanism helps neutralizing the difference in portfolio size. For end consumers connected directly to the transmission network, the consumer and the network user have to work together in order to match the hourly consumption and supply. The remaining network flexibility is given to the market and all its participants via the market thresholds and all network users have the obligation to balance its market position, no matter the type or size of its portfolio. The shippers receive each hour their provisional and their forecasted balancing positions, so that they can take actions to adjust their position. For the avoidance of doubt: as long as the market remains within its limits, no within day settlements will occur. |
| 7 | LUMINUS | NO | Main and Minor Causers Concept | Therefore, Luminus strongly suggests the main causer upper and lower limits to be equal to each shippers actual share in the whole of the Belgian end customer's portfolio. | This would be discriminatory towards network users having no end customer in Belgium. The Summary Note accompanying the Consultation 9 contains many elements supporting a fixed Main/Minor Causer Limit. |

Questions and Answers

| # | From | Confidential? | Topic | Questions / Comments by Stakeholders | Answers / Comments by Balansys |
|---|---------|---------------|--|--|--|
| 8 | LUMINUS | NO | Changes to the settlement methodology - Incentivizing factor | Luminus urges Balansys to set the incentivizing factor for Main Causers at 5 % and to introduce a 3 % Incentivizing Factor for Minor Causers. Furthermore, Luminus is of the opinion that all shippers should be incentivized: as the Small Adjustments would be set at 0 %, Luminus proposes to introduce a 3 % Incentivizing Factor for Minor Causers. | <p>The Incentivizing Factor will be published on the Tariff Sheet after consultation from the market and validation of the regulators.</p> <p>The small adjustments is only applied to the ZTP Gas Spot Index price which is in most of the cases not used as settlement price (cfr Article 22 of the Balancing Network Code).</p> <p>Minor causers are also incentivized because they do not have control over the settlement price.</p> <p>The Incentivizing Factor will be published on the Tariff Sheet after consultation from the market and validation of the regulators.</p> |
| 9 | LUMINUS | NO | Changes to the settlement methodology - Small adjustment | Luminus would consider it unfair and discriminatory that some shippers, i.e. Minor Causers, would be exempted from any Small Adjustment while they are also contributing to the imbalance. Therefore, Luminus proposes to maintain the Small Adjustments at 3 % for both the Minor Causers as the Main Causers. | <p>The proposal is consistent with the market-based balancing system chosen for the market area and its inherent benefits (ownership of the balancing to the market as long as market is within the thresholds) and incentivize shippers to stay in the market limits. Small imbalances will not bring the market outside the threshods.</p> <p>Minor causers are also incentivized because they do not have control over the settlement price.</p> <p>The small adjustments is only applied to the ZTP Gas Spot Index price which is in most of the cases not used as settlement price (cfr Article 22 of the Balancing Network Code).</p> <p>The Incentivizing Factor will be published on the Tariff Sheet after consultation from the market and validation of the regulators.</p> |