

EFET response to the CNMC consultation on gas imbalances



EFET response – 15 June 2020

The European Federation of Energy Traders (EFET*) welcomes the opportunity to provide comments on the CNMC consultation on the methodology to calculate gas imbalances in the *Punto Virtual de Balance* (PVB), *Tanque Virtual de Balance* (TVB) and *Almacenamiento Virtual de Balance* (AVB).

We reiterate our request to have a clear implementation road map and an entry into force of the new tariffs (TAR NC¹) from the 1st October 2020 as several contracts have already been concluded and the proposed Decision will have extensive commercial impacts on market players and on virtual balancing points².

In our responses to the consultations on the now Circular 2/2020 we acknowledged that the CNMC decided to create two new balancing points (TVB and AVB) and we requested that their implementation and operation is as closely aligned to the EU regulation 312/2014 on Balancing (BAL NC). This will facilitate the understanding of the regime for all shippers and simplify its operation, which can only enhance market efficiency.

On that basis, our comments seek to simplify, clarify and, where possible, enhance the proposed methodology.

TVB LNG holdings correction calculation

We understand that the CNMC proposals are aligned with the original consultation issued by Enagas earlier this year. During the stakeholders' engagement at that time it was apparent that the need to include the LNG holding correction calculation mechanism was in relation to what was needed for the implementation of the TVB. This meant that at some regasification plants there might have been circumstances where the measurement of active discharges or charges would not be precisely calculated until after the cut-off period.

Therefore, we argue that those differences should be kept to a minimum and where possible avoided in the future. Such discrepancies create a problem for affected shippers and the market including:

- **Inefficient TVB balancing:** Part of the balancing process is to maximise utilisation of un-booked capacities if there is a positive imbalance. However, inaccurate LNG stock

¹ See also ACER analysis on TAR NC implementation in Spain: <https://www.acer.europa.eu/Media/News/Pages/ACER-publishes-its-new-analysis-on-Tariff-Network-Code-implementation-for-gas-in-Spain.aspx>

² In this regard, we note that Article 29 of the TAR NC requires that “the reserve prices applicable until at least the end of the gas year beginning after the annual yearly capacity auction”...“shall be published before the annual yearly capacity auction”; this means that the tariffs applicable in the GY20 have to be published beginning of July 2020.

* The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. 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. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

calculations means that some excess LNG might unnecessarily be sold at the PVB instead of using this capacity.

- **Market and individual shippers:** Added operational and financial complexity of managing LNG in the TVB which increases costs and deters participation.
- **Market-wide:** The above mentioned, plus the overall inaccurate determination of supply in the market, might lead to inefficient market outcomes.

We propose the following solutions to mitigate the impact in the short-term and address the problem in the long-term:

1. **Extend the window to confirm LNG stocks from LNG unloading and loading activities** – moving the deadline for this process from the early afternoon to the later in the day will minimise the occurrence of stock inaccuracies. The delay needs to be assessed with the relevant parties.
2. **Incentivise the SO and terminal operators to improve the efficiency of the process** where the CNMC might develop targeted incentive mechanisms to encourage:
 - a. The improved efficiency of existing processes and;
 - b. The development of new approaches to limit this problem.

Settlement of the costs of balance incurred by the SO for the PVB

We do not agree with the CNMC's settlement proposal where only costs are shared across users. The distribution of costs and revenues should be the same regardless if these are positive or negative according to Art.29 (2) of the BAL NC³.

The balancing costs should not be used as a revenue to the system as the purpose of the balancing process is to ensure the safe and efficient operation of the gas system. Therefore, we would prefer that month 'm' positive values are returned to users in the same way that the current process requires (i.e. m+4, m+16). If this is not possible, it should be returned on a quarterly or annual basis as a second-best alternative.

³ See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0312>