

Energiekamer
Postbus 16326
2500 BH Den Haag

19 January 2010

By E-mail: EK-consultation@nmanet.nl

Dear Sir/Madam

Zaaknummer 102669: gas code changes relating to new balancing regime

Centrica welcomes the opportunity to comment on the Energiekamer's consultation on the proposed changes to the gas code (case number 102669). In particular we wish to comment on those changes that relate to the introduction of a new balancing regime from April 2011. As a shipper in the GTS network, with gas production, wholesale trading and gas-fired power generation in the Netherlands we have a close interest in any measures that would help improve the balancing regime, whilst supporting competition and the development of the Netherlands as an international "gas roundabout".

This response is on behalf of the Centrica Group of companies excluding Centrica Storage Ltd.

Centrica is an active participant in both the VOEG gas group and the European Federation of Energy Traders (EFET) and encourages the Energiekamer to consider the more detailed responses made by VOEG and EFET to the consultation.

We note that the consultation notice and draft codes are only available in Dutch, which makes it difficult for us to comment on the detailed wording. We hope that the Energiekamer might in future consider providing an English language summary of the proposed codes changes for key market developments such as this. The following response is based on information obtained from our discussions as a member of representative organisations and brochure provided by GTS.

Many elements of the new balancing regime represent a welcome improvement for network users – these include the introduction of market-based balancing, the fact that imbalance penalties will reflect actual costs incurred and the provision of near-real time steering signals.

We are concerned that the new regime remains extremely complex. Some of the elements of the new regime create duplication – for example we are not convinced of the benefit of users submitting entry and exit programmes in addition to nominations, nor of the need to create a new virtual point (VPPV) in addition to the existing hub at the TTF, nor the long-term need for two separate within-day markets.

We support stakeholders concerns around the calculation and use of the alpha and beta parameters that calculate the level of dampening applied to entry programmes as well as (for beta) influencing the size of the green zone. We would welcome more transparency around the daily calculation of alpha and beta, combined a published explanation for any changes in beta.

We welcome the creation of the bid price ladder as a way of introducing market-based balancing. However, this creates two separate within-day markets as the bid price ladder can not be used by shippers to balance their individual portfolios. GTS should be encouraged to look at combining the two markets as soon as possible after the new regime has been established. This would help long-term liquidity as well as reducing complexity.

The current proposals for participation in the bid price ladder are overly restrictive. We believe that the lead times for participants to change bid/offer volumes could be reduced below the proposed 8 hours and in addition the codes need to allow for bid ladder participants to remove bids/offers if an underlying physical asset fails. At 150 MWh, the minimum lot size for a bid/offer represents a significant volume of gas, which could limit liquidity in the bid ladder (4.1.3.1). We believe that this should be lowered and could be set at 30 MWh to match the blocks used the region's traded markets. The precise rules for under which individual assets would qualify for participation in the bid price ladder remain vague and we hope the Energiekamer will ask GTS to clarify these. We are not convinced of the need to link bid price ladder participation with an underlying physical asset and believe that this requirement should be lifted at a later stage.

At the request of the EZ, a forward contracting scheme has been proposed by GTS to ensure a minimum availability of gas to the bid price ladder. We are pleased that the Government has asked GTS to take action to mitigate against the risks of market dominance in the supply of very short term flexible gas. However, the proposals lack detail and care needs to be taken to avoid this reducing incentives for wider participation in the bid ladder or unduly rewarding the dominant holders of short-term flexible gas. A reservation payments scheme must be seen as a transitional measure to be removed as experience of the new regime and liquidity increases.

The concept of a Prikkelcomponent has been copied from the electricity market as an additional incentive to encourage parties to balance by increasing the spread on the bid ladder (4.1.5). We agree with EFET and VOEG that this represents an unnecessary additional cost for network users and that the market premium for very short term gas

will be sufficient incentive users to balance their portfolios. The current drafting around the calculation of the Prikkelcomponent is vague and needs clarification.

Combiflex is not properly recognised in the revised code. It is important that GTS continues to offer Combiflex, or an equivalent product, to network users until it is demonstrated that GasTerra is no longer dominant in the market for flexibility services. Until a product to replace Combiflex has been finalised we believe that it should be retained in the code (e.g. in 2.3.4).

We hope that this response has been helpful. If you would like any further clarification please do not hesitate to contact me on 44 7979 567785 or helen.stack@centrica.com.

Yours sincerely,

Helen Stack
Commercial Manager