

Deliberations of the Commission de régulation de l'énergie of 23 August 2007 concerning changes to the balancing rules on natural gas transmission systems in France

In accordance with CRE deliberations of 7 December 2006, on 1 August 2007 GRTgaz submitted changes to the balancing rules applicable on its gas transmission system to CRE for approval.

GRTgaz's proposal completes and amends the rules approved by CRE on 7 December 2006, and comes at the end of a new stage of discussions with shippers that began in January 2007.

1. Context

The balancing rules on GRTgaz's transmission system, approved by CRE on 7 December 2006, provide for the gradual establishment of a mechanism based on market logic, with three stages:

- access to the market by GRTgaz to ensure part of the physical balancing of the system. Access to the market was opened on 12 April 2007, with the establishment of a specific platform enabling suppliers to propose each day offers for purchase or for sale on a day ahead or within day basis. At present, GRTgaz buys or sells up each day to 3.6 GWh of gas to PEG Sud each day, and up to 5.4 GWh to PEG Nord. These volumes correspond on average to 20% of the volumes needed to ensure the physical balance of the system;
- replacement of the "Daily Balancing Service", run by the Gaz de France Large Infrastructure Division, by an optional tolerance offer managed by GRTgaz, on 1 July 2007;
- billing of the part of shippers' imbalances at the daily balancing price, set on the basis of transactions made to ensure the physical balance of the system.

These rules establish the principle of financial neutrality of balancing and provide for new deliberations by CRE before the third stage, particularly with a view to determining the part of shippers' daily imbalances to which the daily balancing price will apply.

GRTgaz recommends that the daily balancing price be introduced in the billing of shippers' imbalances on 1 September 2007. With this in mind, GRTgaz is submitting its newly proposed balancing rules to CRE.

2. GRTgaz's proposals of change

2.1. Part of daily imbalances of shippers billed at the daily balancing price

GRTgaz recommends that the daily balancing price be applied, for each shipper, to imbalance volumes exceeding 70% of the tolerance held by the shipper. Imbalances below this threshold are to be carried over in the cumulative imbalance account

2.2. Change in volumes

GRTgaz recalls the need to ensure coherency between the volume of transactions on which the daily balancing price has been set and the volume of shippers' daily imbalances billed at this price. Accordingly, as soon as market conditions allow, GRTgaz shall suggest increasing the number of lots during the winter of 2007 – 2008. As a result, the mid-range should change in the following spring.

2.3. Offer selection rules ensuring the physical balance of the system.

According to the currently applicable rules, a supplier may not be retained for more than 33% of the volume requested by GRTgaz on the balancing platform so as to prevent use of possible market power by a supplier.

For the purposes of improving the daily balancing price, GRTgaz recommends raising the threshold to 45%.

2.4. Financial neutrality

In its proposal, GRTgaz states the expenses and revenues items that it wishes to see taken into account to establish the financial neutrality of balancing.

3. CRE observations

An analysis of shippers' imbalances over the last six months reveals that coherency between the volumes of daily balancing price applications and transaction volumes is achieved if the mid-range is around 65%. To enable all shippers to grasp how the new balancing rules work, CRE is in favour of GRTgaz's proposal to set an initial mid-range of 70% as from 1 September.

To ensure coherency between daily balancing price applications and transaction volumes on which this price has been set, CRE is in favour of GRTgaz's proposal to associate the changes in these two quantities, even if it means not synchronizing them for operational reasons,. Besides, CRE considers that these changes must fall within the planned framework of changes to the balancing rules, i.e. they must be submitted for its approval.

The changes to the offer selection rules ensuring the physical balancing of the system are likely to make a balancing price more representative in the most economic way possible, thereby improving the way the balancing system operates.

Information system expenses are covered by the tariff for the use of the transmission system, which was proposed on 9 November 2006. CRE therefore considers that, under such conditions, there is no need to include the expenses relating to the setting up of the balancing system in the "balancing income statement".

4. CRE decision

As from 1 September 2007, GRTgaz's proposals on balancing rules are approved subject to the following modifications:

- the changes in the transaction volumes and daily balancing price application volumes must be submitted for approval by CRE;
- GRTgaz's IT expenses relating to the setting up of the balancing platform must be withdrawn from the balancing income statement.

CRE asks GRTgaz to extend the discussions with shippers with a view to conducting an initial overview of the changes to the balancing rules on its system and to propose the changes intended to improve and simplify these rules by the end of the first quarter of 2008 at the latest.

Drawn up in Paris, 23 August 2007

On behalf of the Commission de régulation de
l'énergie,
The Chairman,

Philippe de LADOUCETTE