

## DELIBERATION

# Deliberation of the French Energy Regulatory Commission of 15 September 2016 relating to changes in the balancing rules of gas transmission networks on 1 October 2016

**Present: Philippe de LADOUCKETTE, President, Christine CHAUVET, Catherine EDWIGE, Yann PADOVA and Jean-Pierre SOTURA, Commissioners**

Pursuant to Article L.134-3 of the Energy Code, the French Energy Regulatory Commission (CRE), *“approves the technical and financial rules developed by operators and relating to the balancing of natural gas networks and the coverage of needs mentioned in Articles L.431-4, L.431-5 and L.431-8”*.

In its deliberation of 10 September 2015<sup>1</sup>, the CRE validated the implementation, from 1 October 2015, of a balancing system in compliance with Regulation No. 312/2014<sup>2</sup> (“Network Balancing Code”) which took effect on 16 April 2014 and applies since 1 October 2015. The purpose of the present deliberation is to complete the balancing rules in natural gas transmission networks, applicable from 1 October 2016.

<sup>1</sup> [Deliberation of the CRE of 10 September 2015 relating to developments in the balancing rules of gas transmission networks on 1 October 2015](#)

<sup>2</sup> Regulation (EU) No. 3012/2014 of 26 March 2014 establishing a network code on gas balancing of transmission networks.

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## 1. BACKGROUND

### 1.1 Shipper balancing rules

In its deliberation of 1 December 2011<sup>3</sup>, the CRE approved roadmaps for changes to a target balancing system proposed by GRTgaz and TIGF. In accordance with these paths and through deliberations dated 21 June 2012<sup>4</sup>, 20 September 2012<sup>5</sup>, 5 February 2013<sup>6</sup>, 4 April 2014<sup>7</sup>, and 15 January 2015<sup>7</sup>, the CRE approved, in particular, changes concerning:

- the level and frequency of information made available to shippers by transmission system operators (TSOs);
- regulating shipper imbalances, by gradually reducing imbalance tolerance levels;
- rules for TSO interventions on the market to cover their balancing needs and to encourage shippers to be balanced by applying a marginal price to regulate imbalances.

In its deliberation of 10 September 2015, approving balancing rules for the GRTgaz and TIGF transmission networks on 1 October 2015<sup>8</sup>, the CRE validated the implementation of a balancing system complying with the balancing code which featured:

- invoicing from the 1<sup>st</sup> kWh imbalance, of each kWh, at the daily settlement price, i.e. the maximum purchase price (with respective minimum sale price) if the TSO intervenes on the markets, or the average daily price with an additional 2.5% surcharge (and respective 2.5% discount when selling) if the TSO did not intervene in the markets, or if it intervened below the average price assigned to the 2.5% surcharge or discount;
- the possibility for all shippers delivering gas to subscribe to a service of flexibility<sup>9</sup> based on TSO's linepack for the days when they do not intervene on the market.

In addition, the CRE validated the launch of an experiment on the use of locational products for GRTgaz residual imbalances.

After feedback from the experiment, presented in the Concertation Gaz exercise, GRTgaz and TIGF sent the CRE proposals for changes to balancing rules. These proposals focus on changes to surcharge and discount levels, amendments to TSO intervention rules on wholesale markets, an extension to the use of locational products in the morning of D+1 (day ahead) and the method to distribute imbalances in the TRS area.

### 1.2 Financial security of the balancing system

TSOs are currently protected from non-payment of distribution invoices by financial guarantees or cash deposits. These guarantees do not extend to balancing liability, which incurs a risk for TSOs in the event of a default, or fraudulent behaviour by an operator.

At the request of the CRE, TSOs worked together on Concertation Gaz during 2015. A working group dedicated to the subject met three times on 18 June, 24 September and 1 December 2015. This work enabled the TSOs to define a process to identify risky situations, formalise communication with the shippers concerned and limit the risks incurred.

### 1.3 Public consultation

The CRE undertook a public consultation exercise on these two subjects on 30 June and 12 August 2016 with the aim of presenting initial analyses by the CRE and collecting opinions from market players.

27 contributions were sent to the CRE:

- 4 from industrialists or associations of industrial clients;
- 18 from shippers or shippers' associations;

<sup>3</sup> Deliberation of the French Energy Regulatory Commission of 1 December 2011 on the approval of changes in balancing rules on the gas transmission systems of GRTgaz and TIGF.

<sup>4</sup> Deliberation of the French Energy Regulatory Commission of 21 June 2012 on the approval of balancing rules on the GRTgaz and TIGgas transmission networks.

<sup>5</sup> Deliberation of the French Energy Regulatory Commission of 20 September 2012 regarding approval of the balancing rules for GRTgaz's gas transmission system.

<sup>6</sup> Deliberation of the CRE of 5 February 2013 on changes to balancing rules on the GRTgaz and TIGFF gas transmission systems.

<sup>7</sup> Deliberation of the French Energy Regulatory Commission of 4 April 2014 approving the evolution of balancing rules for the GRTgaz and TIGF transmission networks.

<sup>7</sup> Deliberation of the CRE of 15 January 2015 approving the balancing rules for the GRTgaz and TIGF transmission networks as of 1 April and 1 October 2015.

<sup>8</sup> Deliberation of the CRE of 10 September 2015 relating to developments of the balancing rules on gas transport networks on 1 October 2015.

<sup>9</sup> GRTgaz markets the "ALIZES" service and TIGF, the "SET" balancing transport service.

- 2 from other associations;
- 3 from infrastructure managers.

The non-confidential responses have been published on the CRE's website<sup>10</sup>.

## **2. REVIEW OF THE FIRST SIX MONTHS' OPERATION OF THE BALANCING SYSTEM**

### **2.1 Reminder of the review presented in the public consultation**

In its public consultation of 30 June 2016<sup>11</sup>, the CRE presented a review of the first six months' operation of the current balancing system.

- Summary of the review presented by the TSOs

The TSOs were broadly satisfied with the target balancing system introduced on 1 October 2015.

However, GRTgaz considered that its sometimes retains too large a role in balancing the system and that shippers still regularly record significant imbalances. In these circumstances, TSO interventions are not always enough to reduce the imbalance and lead to significant imbalances periodically. In these cases, imbalances can accumulate over several days. This could, in theory, jeopardise the right balance in the network, even though such a situation has not been encountered since the new balancing system was implemented.

- Summary of the CRE's review

In conjunction with GRTgaz and TIGF, the CRE largely planned preparatory work required to implement the network balancing code. This enabled it to be introduced on 1 October 2015 without recourse to provisional measures provided for by the code, for insufficiently mature markets. The CRE is pleased that GRTgaz and TIGF have been able to implement this key change on time and without operational difficulties. It recognises that shippers have adapted to the new rules.

Nevertheless, the new balancing system has only been in operation for six months and winter 2015-2016 was rather mild. Furthermore, the TSOs indicated that despite greater incentives in the new system, some shippers did not systematically make every effort possible to reduce their imbalances.

### **2.2 Summary of responses to the public consultation**

Most industry players who responded to the public consultation concur with the CRE's review. These players highlight the importance of the changes that came into effect on 1 October 2015.

Besides infrastructure managers, all those industry players who responded to the public consultation thought that feedback on the new balancing system was based on too short a period to draw any conclusions about how effective the system was and to give rise to structural developments.

Several players pointed out that shippers are already penalised for any imbalances and that to increase their financial incentives to be balanced would have no useful effect. They consider that solutions to continue improving the balancing system would be rather to:

- improve balance management tools provided to shippers so that they can have a better overall picture of their balancing activities and,
- improve tools that TSOs possess to remedy residual imbalances.

Transmission and storage network managers who responded to the public consultation thought that the imbalances observed were due to insufficient incentives for shippers to balance their activities.

<sup>10</sup> <http://www.cre.fr/>

<sup>11</sup> Public consultation by the CRE on 30 June 2016 on changes to balancing rules in gas transmission networks on 1 October 2016

### 3. PRICE OF REGULATING IMBALANCES

#### 3.1 TSO proposal

The TSOs want to have greater balancing incentives by raising surcharge/discount levels, which are currently set at +/-2.5% for the weighted average price of gas for a gas day. This level was set in summer 2015 when the price of gas was above €24 per MWh.

Reacting to the drop in gas prices, the TSOs want to keep balancing incentives by adjusting the surcharge/discount rate. They wish to set it at 5%, which corresponds to a value of €0.60 per MWh related to an average price of €12 per MWh, i.e. an incentive equivalent to those sought during the introduction of target balancing, with an average price recorded of around €24 per MWh.

#### 3.2 Summary of responses to the public consultation

In their responses to the public consultation, the TSOs renewed their desire to make the surcharge/discount rates a greater incentive by setting them at +/-5% as opposed to +/-2.5% currently. Storengy shares the same analysis as the TSOs.

All the other industry players were opposed to a rise in the surcharge/discount rate, which they judged to be sufficiently dissuasive at its current level. They considered that most shippers currently make every effort to be balanced and that for the most part, imbalances are due to forecasting errors. They believe that a change to surcharge/discount rates one year after the introduction of the new balancing system would unnecessarily destabilise the market.

One respondent pointed out that the financial risk linked to balancing is potentially high as when TSOs intervene on the markets, the price of regulating imbalances can be much more penalising.

In the consultation, the CRE also raised the possibility of studying the introduction of an absolute surcharge/discount rate which would not depend on market price rates. Most industry players responding to the public consultation were opposed to having a surcharge/discount rate set using absolute values. These respondents were of the opinion that it was prudent that the price of regulating imbalances remains correlated to the price of gas. An absolute surcharge or discount would offer little incentive in a situation of high prices and be too much of an incentive in one of low prices. Conversely, one shipper considered that having an incentive which remains the same regardless of gas prices would have the advantage of giving the market visibility on balance-related costs and would simplify the current system. From their side, the TSOs were in favour of such a study.

#### 3.3 The CRE's analysis

The CRE maintains its analysis according to which, in a situation where the TSOs have not encountered any major difficulties to maintain the balancing system, it would not be justified to raise the surcharge/discount rate one year after the introduction of the target balancing system. Such a rise would not increase the financial incentive for shippers to make balances during difficult days. For these days, the price of imbalances is generally the price of the intervention by the TSOs.

Furthermore, the CRE considers that it would be detrimental to adjust the surcharge/discount at every fluctuation of gas prices. The CRE is therefore in favour of maintaining, at least in the short-term, the current surcharge/discount rate.

As concerns setting absolute value surcharge/discount rates, the CRE considers that this is worth studying. Indeed, a low gas price leads to less incentive to be balanced while some costs connected with balancing are not dependent on gas prices. This applies to additional subscriptions for storage, or network interconnection (PIR) intended to balance portfolios. The CRE is therefore in favour of this study being conducted by summer 2017 as part of the Concertation Gaz, without prejudicing any subsequent follow-up actions relating to it.

### 4. TSO INTERVENTIONS ON THE MARKETS FOR RESIDUAL NETWORK BALANCING

#### 4.1 Changes to the GRTgaz intervention method on wholesale markets

##### 4.1.1 GRTgaz proposal

The CRE's deliberation of 15 January 2015 limited GRTgaz wholesale market interventions to three windows: 10.25, 17.25 and 23.25, for a period of 20 minutes. The CRE's deliberation of 10 September 2015 added a fourth intervention window, at 14.25.

Since 1 April 2015, after working with the CRE's services, GRTgaz has altered its intervention methods several times to better fulfil its needs. This involves adapting criteria and parameters used by GRTgaz for automated interventions. These initiatives, as well as growth in liquidity, have enabled a coverage rate of 89% to be reached in the South area for the period, January to March 2016.

To continue improving the efficiency of its interventions, GRTgaz would like to adjust the ways and means of achieving this. In particular, GRTgaz wants to adapt the times of its interventions based on the network's periodic needs and opportunities observed on markets, without prior validation from a CRE deliberation. Furthermore, GRTgaz wants to vary the duration of its intervention windows (currently set at 20 minutes), based on the results of each intervention.

#### 4.1.2 Summary of responses to the public consultation

The vast majority of market players that responded to the public consultation were in favour more leeway to times and durations of GRTgaz intervention slots on the markets.

These players estimate that intervening at the right, non-predesignated, moment would make GRTgaz interventions less predictable and that increasing interventions rather than buying or selling all volumes in four set time slots in the day would increase the chances of GRTgaz finding counterparts, and at the best price.

Conversely, some market players do not want GRTgaz interventions to be random. They still want to know the times when GRTgaz is likely to intervene. They consider it vital that the number, time and duration of intervention windows is perfectly clear in advance for the market players so that transparency of the system is guaranteed and that the players get maximum visibility.

Finally, two market players were in favour of raising the duration of intervention windows but wanted the intervention start times to remain unchanged.

#### 4.1.3 The CRE's analysis

The CRE considers that intervening in a less constrained way would enable GRTgaz to:

- not be seen at each intervention and to avoid possible attempts to manipulate the situation;
- to have access to the best prices on the markets;
- to increase liquidity over the whole day rather than concentrate it a few time slots.

It was previously necessary to have pre-defined times to encourage market players to intervene during these periods and to generate sufficient liquidity to guarantee interventions at the right price. Today, liquidity is developing naturally at other moments of the day, particularly between 10am and 6pm and remains weak outside business hours.

The CRE is therefore in favour GRTgaz's proposal. Nevertheless, the CRE wants:

- GRTgaz to keep set intervention windows published in the evening, after 11pm and outside working days. The windows have a maximum duration of 40 minutes.
- GRTgaz to be free to set the times and durations of its interventions in the 10am to 6pm time slot on working days.

GRTgaz publishes a record of its interventions on its website. The detailed methods and parameters of interventions will also be sent to the CRE.

## 4.2 Changes to the TIGF intervention method on wholesale markets

### 4.2.1 TIGF proposal

TIGF currently intervenes on markets using pre-defined and forecast linepack stock thresholds and intervenes just once a day, between 17.25 and 17.45, on working days only. The intervention is limited to €100 K per day<sup>12</sup> and undertaken manually by employees and not by an automated system.

TIGF proposes:

- to raise intervention thresholds, as of 1 October 2016, from 9 to 12 GWh variances (boundary of the dark green zone with the light green zone) and from 20 to 22 GWh variances (boundary of the light green zone with the orange zone) to translate implemented improvements in managing its network flexibility;
- to use automated systems, like GRTgaz, for its interventions from the start of 2017;
- to increase the number of possible intervention windows, especially extending them to non-business days.

### 4.2.2 Summary of responses to the public consultation

All the responses were in favour of the three changes proposed by the TIGF for its wholesale market interventions.

<sup>12</sup> TIGF intervention methods are detailed on its [website](#)

Those industry players having responded to the public consultation consider:

- that raising TIGF intervention thresholds will lead to fewer interventions and will therefore be beneficial to the market;
- that use of an automated system works well for GRTgaz, and inasmuch as this may not generate too high development costs, use of an automated system by TIGF would help standardise TSO practices and give TIGF more freedom for its interventions;
- that raising the number of intervention windows, including non-business days, would also help standardise the practices of both TSOs and make TIGF more responsive in its interventions.

### 4.2.3 The CRE's analysis

The CRE considers that shifting the intervention threshold will reduce the number of interventions without putting the network at risk and that this will raise the availability of the flexibility service based on linepack stock (SET) for the benefit of subscribers. It is therefore in favour of TIGF introducing this change as soon as possible.

The CRE estimates that using an automated system enables GRTgaz to find counterparts when it expresses a need and that the TIGF's use of a such a system would increase its intervention options. It is therefore in favour of the TIGF presenting terms and conditions for introducing the automated system in the Concertation Gaz. Like GRTgaz, TIGF must keep the CRE informed about the automated intervention parameters.

Increasing the number of intervention windows would meet the needs of TIGF to intervene more responsively based on the state of its linepack stock. The CRE is in favour of GRTgaz and TIGF intervention rules being uniform. They will be subject to work as part of the Concertation Gaz.

## 4.3 Renewing tests on locational products for GRTgaz residual network balancing

### 4.3.1 GRTgaz proposal

To address the inadequate coverage of its needs by purchasing or selling notional products, and particularly the fact that there is still not always an observable, physical, movement of gas in the network when purchasing or selling gas on a notional product, GRTgaz proposes to:

- extend the testing of locational products by one year;
- be able to use the locational market right from the morning in the event of (i.) major imbalances (orange or red zone in the SEC projection) and (ii.) if the preceding day(s) ended on imbalances (outside the SEC dark green zone). In this case, GRTgaz considers it vital to have tools to ensure the physical delivery of contractual-based aspects right from the start of the gas day, as imbalances identified the day before compromise GRTgaz's flexibility to make residual network balances.

### 4.3.2 Summary of responses to the public consultation

Most industry players consider it desirable to extend tests on locational products and they think that there is currently not enough feedback on the advantages of these products. Some players are proposing operational amendments to this product to make it less constraining and more accessible. Just one player, which was opposed to the launch of this testing, considered that the product has not displayed its advantages and wants to halt testing as of now.

Furthermore, TIGF *"recalls that it will be a possible user of locational products in the future if its network balancing requires it."*

Most industry players are unfavourable to GRTgaz intervening in the morning on locational products to reabsorb imbalances from the previous day. Conversely, some want GRTgaz to be able to do this. Among them, one player was in favour and considered that morning interventions on locational products must be included in the tests on these products. Another player proposed the systematic use of locational products on D+1, to reset physical imbalances from the previous day.

### 4.3.3 The CRE's analysis

The CRE considers that there is insufficient feedback on locational products to make any conclusions about their usefulness. Modifications could be made to these products where they have been sustained, but they must be assessed beforehand as part of the Concertation Gaz. The CRE is therefore in favour of pursuing tests on locational products such as defined in the Deliberation of 10 September 2015. It is also favourable to TIGF having the possibility of conducting these tests in the same conditions as GRTgaz.

In compliance with the European network code concerning balancing, the CRE considers that locational products must be products of last resort, which would not be the case for morning interventions. Furthermore, given the limited feedback on locational products, the CRE deems it preferable that GRTgaz works, as a priority, on

improving its interventions on notional products, particularly by working on automated intervention parameters and is opposed to GRTgaz's proposal on this aspect.

## 5. DISTRIBUTING IMBALANCES IN THE TRS MARKETPLACE

An overall calculation is made for each shipper's contractual imbalance in the Trading South Region (TRS).

The TSO distributes each shipper's imbalance between the two balancing zones using a specific code for each shipper depending on the total amount of its capacity allocations at exit points (delivery points, PIR, PITS) in each balancing zone.

This code takes into account the segmentation of shippers into 4 categories, on a monthly basis, depending on their portfolio capacities:

- shippers with delivery capacities to end users or to the PITDs make up segment 1;
- shippers with transport capacity but no delivery capacity to end users or to PITDs make up segment 2;
- shippers with no transport capacity (pure traders) make up segment 3;
- inactive shippers make up segment 4.

### 5.1 TSO proposal

GRTgaz and TIGF propose calculating the distribution codes on a daily basis depending on quantities delivered, starting from January 2016.

As such, each day:

- a shipper's imbalance after delivery to end users is distributed pro-rata between the two balancing zones to the allocations at delivery points, using a segment-specific formula;
- a shipper's imbalance with only volume allocations at the entry and exit of the TRS, is distributed pro-rata to allocations at the entry and exit of the TRS (PIR, PITM, PITS), using a segment-specific formula;
- a shipper's imbalance, after having exclusively conducted transactions with the TRS, is entirely allocated to GRTgaz South zone;
- for reasons of practicality and simplicity in implementation, SI, TIGF and GRTgaz agree to join forces for the operational management under the "traders" and "inactive shippers" categories.

### 5.2 Summary of responses to the public consultation

All responses were in favour of the change proposed by the TSOs. Respondents considered that a daily distribution code would help improve the management of imbalances in the TRS.

### 5.3 The CRE's analysis

The CRE considers that the change proposed by the TSOs corresponds to a distribution of imbalances based on volumes allocated in each zone and improves the accuracy of this distribution as the calculation becomes a daily one.

The CRE is in favour of the change proposed by the TSOs.

## 6. FINANCIAL GUARANTEES REQUIRED OF SHIPPERS FOR REBALANCING

### 6.1 Defining a balancing liability indicator

#### 6.1.1 TSO proposal

The TSOs propose calculating liability levels as a percentage, with a daily calculation based on the ratio between:

- the total amount of daily imbalances multiplied by the imbalance settlement price from the day;
- the level of bank guarantee as now proposed by the TSOs to calculate the liability level (see 4.2.1.), or the theoretical level of bank guarantee, corresponding to the guarantee or cash deposit that the shipper would have had to pay if they were not exempt due their financial rating.

This indicator enables the breach level of the shippers' theoretical guarantee to be observed on a daily basis.

### 6.1.2 Summary of responses from the public consultation

Most of the participants wanted to establish a daily balancing liability indicator using the methods proposed by the TSOs in order to prevent possible fraud.

In the interests of simplicity, an association requested the raising the level of guarantees for transmission instead of creating the indicator. This would also cover non-payment risks from balancing invoices.

Finally, a single shipper was opposed to establishing this indicator, considering that it was not fair to add additional constraints to all shippers to guard against the inappropriate behaviour of a small number of players.

### 6.1.3 The CRE's analysis

The CRE considers that the proposed indicator reflects the risks incurred by the TSOs and takes into account each shipper's specific characteristics.

The CRE notes that records for the liability indicator over the last three years show that a 90% breach of the liability guarantee is rare, apart from the cases of a few traders, electricity producers and manufacturers. The constraining nature of the indicator should be put into perspective for the vast majority of shippers in this scheme, whose goal is to avert potential fraud.

Finally, the TSOs propose offering shippers the possibility of voluntarily adjusting their levels of guarantee to a higher rate than that required by the transmission contract (see 5.3.1). As such, the scheme proposed is flexible as it leaves the shipper the choice of averting any breach of critical thresholds by raising its guarantee beforehand, or waiting for any possible breach of its thresholds to then raise it.

The CRE is consequently in favour of the TSOs' proposal.

## 6.2 Introducing actions based on a percentage breach of the theoretical guarantee

### 6.2.1 TSO proposal

GRTgaz and TIGF propose defining liability thresholds for the financial guarantees above which the following actions would be implemented:

- the first warning threshold, defined and benchmarked by the TSO, would trigger a reminder about further measures, sent by telephone or email to the shipper;
- the second threshold, set at 50% of the liability guarantee, would trigger a formal notice to the shipper for breaching the threshold;
- the third threshold is different for GRTgaz and for TIGF. GRTgaz proposes that with a 90% breach of the guarantee, it could ask the shipper to make an advance down payment on the recorded imbalance within two working days. TIGF proposes that the third threshold, set at 100% breach of the guarantee, enables the TSO to activate the financial guarantee;
- after three successive days above a 100% breach of the guarantee, the TSO has the option of suspending the transmission contract within two days, after formal notice to pay has been ignored. Suspending the contract forbids the shipper from subscribing to new capacities and nominating any volumes on TSO networks, but does not release them from their contractual obligations, and especially that of paying invoices owing. It is applied without prejudice to the exercise of other acquired rights of the transmission contract.

In the public consultation, the CRE expressed itself in favour of TSO proposals, with the exception of the TIGF proposal when there is a 100% breach of the guarantee. It considers that activating the payment guarantee prior to even issuing an invoice is ineffective as it would leave the TSO without a guarantee for future breaches.

### 6.2.2 Summary of responses to the public consultation

The vast majority of those participating in the public consultation spoke in favour of the TSO proposal on financial guarantee breach thresholds and associated actions proposed by the TSOs.

Many contributors nevertheless requested systems between the TSOs to be standardised. With the exception of TIGF, all participants concurred with the CRE's analysis of the TIGF proposal, when guarantees are breached by more than 100%.

Although some shippers were in favour of the threshold principle and its related warning mechanism, they did have reservations. They considered that the TSOs should only ask shippers for pre-payments when the 100% threshold was reached and after a certain period. They recommended that when the payment guarantee threshold reached 90%, the TSOs should send just one formal notice to the shipper.

Finally, one shipper considered that the measure, which prevents shippers from nominating any volumes on the TSOs' networks above a 100% breach of the guarantee, cannot be applied to a shipper delivering to end users.

### 6.2.3 The CRE's analysis

The CRE considers that the actions proposed by the TSOs are proportionate and effective in limiting the risk incurred by the TSOs. These thresholds enable potentially critical situations to be detected and to warn the shippers concerned. Triggering pre-payments when the guarantee breach reaches 90% offers the shipper possibility of rectifying its situation by an advance payment.

As concerns the TIGF proposal, the CRE maintains its negative analysis when the guarantee is breached by more than 100%. Just like a majority of participants, it wants the system to be identical for both GRTgaz and TIGF, which would simplify access to transport networks. As such, the CRE is in favour of GRTgaz and TIGF asking the shipper to make an advance down payment within 2 working days on the observed imbalance when the breach of guarantee reaches 90%. The shipper also has the option of raising its guarantee in the form of a cash deposit (see 5.3.1).

In terms of a bar on nominating any volumes on TSO networks above a 100% breach of the guarantee, the CRE notes that the measures proposed by the TSOs enable shippers to rectify their financial guarantee breach levels and to avoid being forbidden from nominating. In addition, the TSOs retain some discretion to decide on suspending the transmission contract.

The CRE is in favour of the TSOs' proposals, with the exception of activating the financial guarantee proposed by TIGF when it is breached by more than 100%.

## 6.3 Changes to the methods for calculating payment guarantees

### 6.3.1 TSO proposal

The TSOs propose changing the method to calculate minimum required bank guarantees. The new figure would be equal to a maximum of the amount arising from the current calculation and the amount of the two highest monthly transmission and balancing invoices over the last twelve months.

The TSOs also propose revising the calculation every six months instead of the currently applied monthly calculation. Updates would occur after the sale of the annual and multi-annual capacities in March for all PIRs sold on PRISMA and in September for the sale of capacities at PIR Dunkerque, to take into account the shippers' portfolio capacities.

Finally, the TSOs plan to offer shippers the possibility of voluntarily adjusting the level of their guarantees to above that required by the transmission contract by supplementing their deposited amounts or the first demand guarantee. This upward adjustment can occur at any time.

### 6.3.2 Summary of responses from the public consultation

A majority of respondents were in favour of changes to payment guarantee calculation methods proposed by the TSOs and noted that these new methods help refine the guarantee calculation by taking into account all portfolio capacities.

One shipper was more reserved and noted that this new calculation, which is based on records and a six-monthly review, could lead to overdue capacity subscriptions being included and excessive coverage of TSO risks.

Finally, one shipper was opposed to it as it considered that the new calculation method, based on the two highest monthly transmission and balancing invoices over the last twelve months, is more adverse.

### 6.3.3 The CRE's analysis

The CRE considers that this change, which is based on invoice records and which better accommodates variations in short-term subscriptions, better reflects the risks incurred by the TSOs.

It also helps address the desire of those in the working group, who report operational difficulties caused by overly frequent updates of guarantees.

The CRE is consequently in favour of the TSOs' proposals. It asks TSOs to look for a solution in order not to include an excessive coverage of TSO risks due to overdue capacity subscriptions.

## 7. THE DECISION OF THE CRE

The CRE approves GRTgaz's proposal for balancing on the 10 June 2016:

- with the exception of section 4 concerning changes in methods to determine marginal prices and the part of section 5 relating to the possibility of *“recourse to currently defined locational market products, from the morning, in the event of a major imbalance (orange or red zone in the forecast SEC) and if the previous days ended with an imbalance (outside the dark green zone in the forecast SEC), thus compromising a significant part of GRTgaz's network flexibility.”*
- subject to the amendment in section 3 concerning changes to GRTgaz's intervention windows on the markets. The sentence, *“To this effect, GRTgaz requests the CRE to deliberate more generically so as to enable changes to be made without recourse to new deliberations.”* should be replaced with, *“GRTgaz will intervene on notional products according to the following terms and conditions:*
  - *GRTgaz is to keep set intervention windows published in the evening, after 11pm and outside working days. The windows have a maximum duration of 40 minutes*
  - *GRTgaz is to be free to set the times and durations of its interventions in the 10am to 6pm time slot.*
  - *GRTgaz publishes a record of its interventions on its website. The detailed methods and parameters of interventions will also be sent to the CRE.”*

The CRE approves GRTgaz's proposal for financial guarantees on 6 June 2016.

The CRE approves TIGF's proposal for balancing on 6 June 2016, with the exception of section 1 on altering surcharge/discount levels.

The CRE approves TIGF's proposal for financial guarantees on 6 June 2016, with the exception of section 2 concerning activation of the financial guarantee proposed when the guarantee is breached by more than 100%. The sentence, *“100%: automatic activation of the bank guarantee at the observed ratio”*, is replaced by, *“When a 90% breach of the guarantee is reached, TIGF can request the shipper to make an advance down payment within 2 working days on the recorded imbalance. The shipper also has the possibility of raising its guarantee in the form of a cash deposit.”*

Paris, 15 September 2016

For the Energy Regulatory Commission,

President,

Philippe de LADOUCKETTE