

Deliberation of the Regulatory Commission of Energy of 10th September 2015 relating to developments of the balancing rules on gas transport networks on 1st October 2015

Present: Philippe de LADOUCETTE, Chairman, Catherine EDWIGE, Christine CHAUVET, H  l  ne GASSIN, Yann PADOVA and Jean-Pierre SOTURA, commissioners.

Pursuant to article L.134-3 of the Energy Code, the Regulatory Commission of Energy (CRE) "approves *the technical and financial rules developed by the 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*".

Pursuant to article 43 of Regulation (EU) No. 312/2014 of the Commission of 26th March 2014 relating to the establishment of a network code on gas balancing of transport networks, the CRE approves the terms and conditions of the provision, by a transport system operator, of a service of flexibility by storage in transit, in view of their possible application on 1st October 2015.

In its deliberation of 15th January 2015, the CRE approved the balancing rules applicable on 1st October 2015, date of application of the European network code on balancing. However, it requested the TSO to submit new proposals concerning, on the one hand, a service of flexibility based on TSO's linepack and, on the other, the purchase/sale of so-called "locational" products.

The purpose of this deliberation is to complete the balancing rules to be implemented 1st October 2015.

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1. Context

This deliberation falls within the framework of the balancing rules of transport networks of natural gas towards the target balancing system defined by regulation No. 312/2014¹ ("Balancing Network Code" or "Network Code"), which came into force on 16th April 2014 and applied from 1st October 2015.

In its deliberation of 1st December 2011², the CRE approved the trajectories toward the target balancing system proposed by GRTgaz and TIGF. On this basis, pursuant to the work conducted in *Concertation Gaz*, the TSOs sent their proposals of development of the balancing rules to the CRE.

Thus, by deliberations of 21st June 2012³, of 20th September 2012⁴, 5th February 2013⁵, 4th April 2014⁶ and 15th January 2015⁷ the CRE approved the developments concerning:

- the content and frequency of information made available to shippers by the TSOs;
- the methods for charging shippers' imbalances, by gradually reducing the level of imbalance tolerance under which the shipper is not penalised;
- the TSOs' actions in the market to cover their balancing need, in order to encourage shippers to balance their portfolios by means of a charge for imbalances billed by the TSO, which reflects actual tension in the system.

In its deliberation of 15th January 2015, the CRE approved the balancing rules applicable on 1st October 2015, date on which the network code will apply. In view of the short-term development of wholesale gas market and the quality of information provided by the TSOs to shippers, the CRE has decided not to implement any provisional measures made possible by the Network Code. In particular, the new balancing rules eliminate the tolerances and the Daily Balancing Service, and provide for the application of a premium and discount of +/- 2.5% of the average price of settling imbalances.

In the mentioned decision, the CRE also requested the TSOs to:

- study the possibility of offering a service of flexibility based on the inventory in transit;
- clarify their proposal to use the purchase/sale of so-called "locational" products for their balancing.

Following the work done in the framework of the Gas Consultation, GRTgaz and TIGF have sent proposals on the implementation of these two devices to the CRE, respectively on 24th and 25th June 2015. In addition, GRTgaz has proposed a development of its intervention methods on the markets for balancing.

The CRE carried out a public consultation from 1st to 31st July 2015, to obtain the opinions of market players on the proposals of the two TSOs. 23 contributions were addressed to the CRE:

- 6 from industrialists or associations of industrial clients: Arcelor Mittal, Borealis, Petroineos, Solvay Energy Services, Total Raffinage Chimie, UNIDEN;
- 12 from shippers or associations of shippers: AFIEG, Antargaz, Direct Energie, EDF, ENGIE, ENI, ENOVOS, Gaz de Bordeaux, Gazprom, Gas Natural Fenosa (GNE), Total Energie Gaz, Total Gas and Power ;
- 1 from an association: UPRIGAZ;
- 4 from infrastructure managers: Infrastructure branch of ENGIE, GRTgaz, Storengy, TIGF.

The non-confidential responses are published on the website of the CRE.⁸

¹ Regulation (EU) No. 312/2014 of 26th March 2014 relating to the establishment of a gas transport balancing network code.

² [Deliberation of the Regulatory Commission of Energy of 1st September 2011 approving the developments of the balancing rules on gas transport networks of GRTgaz and TIGF](#)

³ [Deliberation of the Regulatory Commission of Energy of 21st June 2012 approving the developments of the balancing rules on gas transport networks of GRTgaz and TIGF](#)

⁴ [Deliberation of the Regulatory Commission of Energy of 20th September 2012 approving the developments of the balancing rules on gas transport networks of GRTgaz](#)

⁵ [Deliberation of the CRE of 5th February 2013 bringing a decision about the balancing rules on gas transport networks of GRTgaz and TIGF](#)

⁶ [Deliberation of the CRE of 4th April 2014 approving balancing rules on GRTgaz and TIGF transport networks](#)

⁷ [Deliberation of the CRE of 15th January 2015 approving the balancing rules on transport networks of GRTgaz and TIGF on 1st April and 1st October 2015](#)

⁸ <http://www.cre.fr/>

2. Service of flexibility based on the stock in transit

2.1. General principle

2.1.1. Proposals of TSOs

GRTgaz and TIGF have sent the CRE a joint note presenting their proposal for flexibility services based on their linepack. The two services consist of an indefinite duration subscription on a monthly basis by interested shippers. Subscriptions to services from each of the TSOs are independent.

For each day eligible for service, namely the days or the overall imbalance of the network does not require intervention of the TSOs on the market, and in each balancing area where the service is subscribed, the shipper benefits from the linepack service to balance his portfolio. It is not exposed to the price of settling imbalances.

The monthly sum of imbalances for the days where the service is applied is discharged at a neutral reference price. The neutral reference price corresponds with the average of average daily prices of the month for the market place in question (PEG Nord or *Trading Region South* (TRS)).

The actors having subscribed to the service are collectively encouraged to act to ensure that the day is eligible, namely to contribute to the balance of the system to benefit from the service.

2.1.2. Summary of responses to the public consultation

Most of the players are favourable to the launch of these linepack services. They believe that they will give shippers an additional tool to reduce the financial impact of their imbalances, that they are consistent with the other European balancing systems and that they meet the demand of the market.

However, two participants have reserves about the relevance of these services. They fear that its cost is onerous for the balancing system, and that it would take responsibility away from shippers.

Three industrials are asking for feedback to be able to develop or even do away with these services if necessary.

Most believe, as the CRE has analysed in its public consultation, that a single clearance price calculated as the average of the average daily prices of non-eligible days causes a risk of bad behaviours. They are favourable to a monthly price proper to each shipper, calculated as the weighted average of the average prices of each day by the volumes of imbalance of the shipper concerned offset by the service.

2.1.3. Analysis of the CRE

The proposal of the TSOs to market a service of flexibility based on linepack meets the request by the CRE in its deliberation of 15th January 2015. The work carried out in Concertation Gaz show that the methods proposed by the TSOs also meet the expectations of the market players.

The CRE is favourable to the implementation of services proposed by the TSOs.

However, the CRE finds, together with the vast majority of shippers, that the clearance on the basis of a monthly average price removes the exposure of shippers to the gas price of the day. This may reduce, especially at the end of the month, the incentive to be balanced, or even encourage some shippers to be imbalanced.

To maintain an incentive for all the shippers to balance themselves, it is necessary that the monthly price of clearance is calculated for each shipper as the weighted average of the average prices of each day eligible by the volumes of imbalance offset by the service.

The TSOs have indicated to the CRE that they would not be in a position to implement it in their information systems on 1st October 2015. The CRE therefore gives the TSOs the possibility, from 1st October 2015 to 31st December 2015, to apply a Neutral Reference Price to all shippers equal to the monthly average price calculated on the only days when the service is eligible. As of 1st January 2016, the individualized price requested by the CRE will apply.

2.2. Conditions of service interruption

2.2.1. Proposals of TSOs

GRTgaz, unlike TIGF, intervenes on the stock exchange outside working days. This leads the TSOs to propose different conditions of application of the service:

- GRTgaz proposes that the service should be available, in the GRTgaz North and GRTgaz South areas, on the days when GRTgaz has had no need to engage load balancing actions on PEG Nord, respectively, to the TRS (or purchases/sales on the stock market, or call to locational products).
- For the balancing area of TIGF, the service is applied:
 - each working day during which TIGF has not intervened on the market for balancing;
 - each non-working day during which the projected indicator of linepack of the TIGF balance area remains within the limits of the dark green area, at the time of the publication of the graphic at 4 pm on the Datagas site.

Each TSO proposes the conditions of service interruption depending only on the state of the network in its own balancing areas, particularly on the TRS market place (*trading region South*) which covers the GRTgaz South and TIGF balancing areas.

2.2.2. Summary of responses to the public consultation

A majority of the participants in the public consultation request changes to the eligibility criteria of days proposed by the TSO. Firstly, they want the use of the storage to be considered as a balancing action, thus interrupting the service. In addition, a shipper requests that "*the days when an intervention of the TSO took place only in the morning may be eligible*".

In its response to the public consultation, GRTgaz specifies that it is the expression of the need to intervene by the TSO that is to be considered. It means by "*engaging a balancing action by purchases/sales*" the fact of sending a request for purchase or sale, without prejudging whether it finds a return favour or not. This leads to the possibility that service would be interrupted if GRTgaz, if unable to cover its needs of residual balancing by purchase/sale on the wholesale markets, solicits the storage operator.

On the other hand, the participants in the public consultation are divided as to the specific interruptions of each balancing area. Some of the players believe that it is desirable, as shipper, to be able to manage the service at the TRS area and therefore that the eligibility criteria should be common to TIGF and GRTgaz in the TRS area.

Conversely, three players including the two TSOs remind us that a separate eligibility between the GRTgaz South and TIGF areas increases services availability, and therefore their value. In addition, some industrial players answer that they are established in only one of the TRS balancing areas and have therefore no visibility in the other area.

Finally, some players, including the TSOs, believe that the service should reflect the physical reality of the network, which is the coexistence of two distinct balancing areas within the TRS, and that it is therefore logical to have distinct eligibility criteria.

2.2.3. Analysis of the CRE

The CRE believes that the clarification provided by GRTgaz to its proposal, which consists of considering the fact of sending a request for purchase or sale on the market as a balancing action without prejudging the fact to find reciprocation, makes it possible to meet the expectations of actors and is consistent with the principles of the balancing network code. Indeed, the use of the storage is necessarily involved secondly, after an unsuccessful or insufficient attempt of GRTgaz to buy or sell gas on the market. From this fact, the intervention attempt which precedes recourse to storage suffices to interrupt the service.

Feedback must be established by the TSOs in the months following the launch of the service to validate these criteria of eligibility for the service.

Also, in its deliberation of 15th January 2015, the CRE decided that the imbalance settlement price will be common to the two GRTgaz South and TIGF TRS area balancing areas. In this logic, it would be desirable that the criteria for eligibility for the service should be identical to the GRTgaz South and TIGF balancing areas, so as to ensure that the financial settlement of the balancing of shippers is made every day coherently within the TRS area.

The CRE notes that the services proposed by the TSOs already constitute a significant improvement to the balancing rules and that market players are divided as to the need of common eligibility criteria.

Additionally, within the TRS market area, there is no structural congestion between the of GRTgaz and TIGF networks. From this fact, the state of tension of both networks should be similar most of the time.

It should therefore be the same thing for the eligibility for the service.

Accordingly, the CRE deems the TSO proposals of the eligibility criteria for services as acceptable. It asks the TSO to make their best efforts of coordination in the application of these rules so that the eligibility to the service should be the same in the GRTgaz South and TIGF areas. Feedback on this point shall be presented regularly by GRTgaz and TIGF in Concertation Gaz.

2.3. Access to the service

2.3.1. Proposals of the TSOs

The TSOs are proposing that the linepack services should be open to any shipper with delivery capacity to at least one PITD or an industrial site directly connected to the transport network of the TSOs on the balancing area concerned for the month of the subscription.

The TSOs propose that the duration of service subscription should be indeterminate. The service takes effect on the 1st of a month, the deadline for subscription being the 20th of the previous month. The TSO confirms its subscription to the shipper no later than 5 working days after the 20th of the month M-1.

The shipper has the possibility of terminating his subscription for a month M no later than the 20th of the month M-1. If the shipper does not terminate his subscription, the service is automatically renewed for the month M.

GRTgaz proposes a single subscription to the service for its two balancing areas.

2.3.2. Summary of responses to the public consultation

Most of the players who answered the public consultation pronounce in favour of the subscription methods of the service proposed by the TSOs.

Three players believe, however, that it would be desirable that GRTgaz should grant a shipper the freedom to subscribe to the service only for a balancing area, North or South.

A shipper wants the subscription to this service to be limited to non-daily metered customers. This player indeed judges that this service is only justified for shippers whose clients generate unpredictable imbalances.

2.3.3. Analysis of the CRE

The CRE is favourable to the eligibility criteria proposed by the TSOs. It considers, like most respondents, that it is legitimate and effective for all shippers to have access to it.

The CRE sees no point in a separate subscription in the GRTgaz North and GRTgaz South area. This would introduce complexity whereas the subscription, depending on subscribed capacity, is already suited to the size of the players.

Finally, the CRE considers the services subscription and termination term to be reasonable.

2.4. Integration in the neutrality account

2.4.1. Proposals of the TSOs

The TSOs propose that the settlement of the quantity of daily imbalances covered by the service should take place in M+2 and integrated into the balancing financial neutrality account.

2.4.2. Summary of responses to the public consultation

All the players are favourable to the integration of the clearance of the service in the balancing financial neutrality account.

An actor wants the settlement of this clearance to be made in M+1 and not in M+2.

2.4.3. Analysis of the CRE

The CRE considers that the balancing must continue to be financially neutral for the TSO and for the shipping prices. It is therefore in favour of the proposal of the TSOs.

Therefore, the CRE is favourable to the integration of monthly clearings in the neutrality account for balancing.

2.5. Service pricing

2.5.1. Proposals of the TSOs

The TSOs propose a base subscription price of €0.12 / MWh /day / month for any point of industrial site delivery directly connected to the transport network or for any daily metered site point of delivery attached to a PITD.

To make the service accessible in priority to shippers whose portfolio predominantly consists of non-daily metered customers, the TSOs propose that the subscription price should be the subject of a rate rebate of 50% for any point of non-daily metered site delivery connected to a distribution network.

The invoicing would be in M+1 for the TIGF service and in M+2 for the of GRTgaz service.

These prices take the forecast TSOs costs into account. The TSOs propose that revenue relating to the subscription of the service should be included in the TSOs regulated income.

2.5.2. Summary of responses to the public consultation

The majority of the respondents is favourable to the proposed pricing. The others are more reserved.

- Some players want this pricing to be modulated according to the availability of the service.
- A shipper wants the price to be fixed and limited to the costs to be incurred by the TSOs and a second thinks the price must be zero because these services have no reason to exist other than to cope with the vagueness of the k0 coefficients published by the TSOs.
- According to the industrial clients and another shipper, the price discount of 50% for the non-daily metered is not justified. According to them, the non-daily metered customers are more responsible for the imbalance of the network and a discount would encourage the most unbalanced players.
- On the contrary, some suppliers ask for a higher discount. One player especially expresses himself for a 75% discount.

2.5.3. Analysis of the CRE

The CRE considers that the tariff discounts proposed by the TSOs responds to his request, formulated in the deliberation of 15th January 2015, to explore the possibility of making the service accessible in priority to shippers whose portfolio is predominantly composed of non-daily metered clients.

A modulation of the price according to the availability of the service would be contrary to the very principle of the service by reducing the overall incentive for subscribers to balance.

3. Experimental use of locational products for the residual balancing of GRTgaz

3.1. Study of the need

Following the proposal of developing the balancing rules submitted by TIGF and GRTgaz in September 2014, the CRE had, in its deliberation of 15th January 2015, asked the two TSO to study their need for use of locational products. Following the work carried out in Concertation Gaz, only GRTgaz proposed to use these new products at this stage.

3.1.1. Proposal of GRTgaz

The imbalance of the network can occasionally reach proportions that the interventions of GRTgaz on the market cannot adequately cover. GRTgaz has a flexibility contract with Storengy for this purpose, allowing it to inject or withdraw quantities of gas during the day to cover its balancing needs. The cost of this contract is high and 90% are fixed costs.

Now, article 9 of the balancing network code, setting the order of priority of balancing actions, stipulates that the physical products in the short term should be preferred to balancing services such as storage services⁹.

⁹ "The TSO must see to the "use only of balancing services when it appears, after evaluation by the TSO concerned, that the standard products in the short term do not suffice or probably do not suffice for maintaining the transport network within its operating limits."

To decrease the use of the flexibility contract subscribed from Storengy and reduce the costs related to the residual balancing of its network, GRTgaz wishes to experiment the use of locational products. These are products leading to a physical delivery of gas to one or several points of the balancing area at a precise moment of the current gas day. The transaction is composed of a purchase-sale of gas to GRTgaz on one hand and a guarantee of physical delivery by renomination on one or several identified points of the network on the other hand.

GRTgaz proposes implementing an experiment of a one-year duration of from the beginning of winter 2015-2016. Feedback will be presented in Concertation Gaz to evaluate the cost / profit ratio of the use of locational products and identify potential risks and drifts observed during this period.

3.1.2. Summary of responses to the public consultation

Most players are favourable to experimentation and share the conviction that only a field study will make it possible to assess the utility of locational products.

A shipper points out the possible confusion between the needs related to balancing and those related to congestion. If it is normal that the first are treated by the interventions for the purpose of balancing, the latter should be the subject of an adequate price treatment. Namely, it must be covered by the transport tariff. However, another shipper wants the locational products to be used as much for the balancing needs as for the congestion needs.

Several industrial clients want the flexibility arising from the consumption of their sites to be included as soon as possible in the call for locational products tenders.

3.1.3. Analysis of the CRE

The conditions of experimentation proposed by GRTgaz have no impact on the continuity of supply, since the flexibility contract signed with Storengy is still in force during the period in question.

Additionally, GRTgaz has indicated, in Concertation Gaz, that the experiment would not concern the needs relating to congestion of the network but only on the needs related to network balancing.

The CRE is therefore favourable to the experimentation proposed by GRTgaz, whose results will have to be presented regularly in Concertation Gaz. The GRT must especially explain:

- the conditions that led to the initiation of the call for tender;
- the number of tenders at each of the calls for tender;
- the prices of selected products;
- the time between the publication of the call for tenders, the selection of tenders and the observed delivery.

Finally, any effects of this new mechanism on the liquidity of the within-day market will be studied. Likewise, an analysis of the benefits of the system compared with an intervention focusing exclusively on the within-day products should be conducted.

On the other hand, the CRE considers as relevant the request made by the industrial clients to include the deletion of their consumption in the sources of flexibility sought for the purpose of locational products. The provisions of such a device should be studied in the framework of the Concertation Gaz.

3.2. Conditions for using of locational products

3.2.1. Proposal of GRTgaz

GRTgaz proposes that the tenders may be begun only after the second intervention by the GRT on the market. This takes place at 5:25 pm and ends at 5:45 pm. If, at the end of this last intervention in working hours, the indicator of stock in projected transit remains in the orange or red area of the graph published on SMART GRTgaz, then the TSO may have recourse to the purchase-sale of locational products.

3.2.2. Summary of responses to the public consultation

Most players are favourable to the conditions proposed by GRTgaz. However, some players are worried about the articulation between the interventions of GRTgaz concerning within-day products and the calls for tenders for locational products.

On the other hand, several industrials are worried about the fact that few companies have the necessary human resources to respond to the call for tenders to such a late schedule.

3.2.3. Analysis of the CRE

The starting conditions proposed by GRTgaz comply with the order of preference established by the network code, because they give priority to interventions on within-day products. The CRE is favourable to the proposal of GRTgaz.

To allow the greatest number of players to participate in the calls for tenders, the CRE considers it desirable that the launch of calls for tender should take place as soon as possible after the intervention of 5:25 pm.

3.3. Provisions for call for tenders and selection of the locational product supplier

3.3.1. Proposal of GRTgaz

To be qualified to respond to the call for tenders, shippers need a supply authorisation, to be holders of a routing contract, to be signatories of a convention of use of Powernext and to the agreement of purchase and sale of locational products, which has been presented in Concertation Gaz and will be published on GRTgaz's website.

GRTgaz proposes to inform the qualified shippers of its need by e-mail, by specifying the quantity of product called, the grouping of delivery points intended and the direction (buying or selling).

The shippers then have thirty minutes at least to enter their tenders on the platform of Powernext, after which GRTgaz selects the tenders. The anonymity of shippers is retained during selection, the only decision criterion being the price.

3.3.2. Summary of responses to the public consultation

Most players are favourable to the proposal of GRTgaz. Nonetheless, a number of suggestions were made to improve the participation.

- One shipper and two industrials fear that the deadline for submitting tenders is too short.
- On the contrary, an infrastructure operator was surprised by the length of the tendering process, whilst he intended to respond quickly to a situation of extreme tension of the network.
- A shipper stressed that the obligation to have a contract with Powernext limited suppliers who can propose a locational product to players already active on the market of notional products.
- Several actors want information for GRTgaz to be published by e-mail and telephone (SMS).

3.3.3. Analysis of the CRE

The CRE found that the remarks of shippers are evidence of the advantage of an experiment to improve the device but do not question the proposal of GRTgaz, which makes a consensus. The CRE is favourable to the terms of call for tenders and selection of suppliers proposed by GRTgaz.

3.4. Contract, checks and penalties

3.4.1. Proposal of GRTgaz

The selected shippers must inform GRTgaz by e-mail, within thirty minutes, of the points of delivery and quantities associated with the transaction. The TSO will then check that the shippers renominate the quantities announced in due time. The suppliers whose tenders have been selected may not renominate in the opposite direction on the points specified during the rest of the gas day.

GRTgaz proposes that these obligations subject the shipper whose offer was selected to the following penalties:

- in case of delay in notification by e-mail of the quantities and delivery points, a penalty equal to 25% of the value of the transaction is applied;

- in case of absence of notification by e-mail of the quantities and delivery points, a penalty equal to 100% of the value of the transaction is applied;
- the absence of renominating and renominating in the opposite direction on the relevant points are penalized at 100% of the value of the transaction;
- finally, if the shipper does not have the necessary capacities, his nominations being capped, GRTgaz will charge a penalty equal to the prorata of the missing quantity compared to that of the transaction.

Checks later than the gas day will be intended to analyze potential behaviours seeking to manipulate or circumvent the normal operation of the system.

3.4.2. Summary of responses to the public consultation

A large majority of the participants were in favour of the checking device proposed by GRTgaz.

One shipper considers that the proposed level of penalty is very high and asked that experimentation should at least be partly exempted from penalty.

Finally, another shipper fears that the penalties do not discourage some suppliers from participating in tenders on the locational products.

3.4.3. Analysis of the CRE

The CRE is in favour of the levels of penalties proposed by GRTgaz. The goal is to deter fraudulent behaviour. The mechanism of controls and penalties makes it possible to link the penalty to the finding of an explicit irregularity.

The CRE asks that GRTgaz to be regularly provided with a detailed account of the operation of the locational products in order to carry out additional analysis.

3.5. Integration of locational products in the marginal price and the neutrality account

3.5.1. Proposal of GRTgaz

GRTgaz proposes that the purchases and sales of locational products should be integrated into the neutrality account, but that the prices of these transactions should be excluded from the calculation of the settlement price of imbalances during experimentation. If the device is to be perpetuated, GRTgaz considers that these transactions should be included in the calculation of the marginal price.

3.5.2. Summary of responses to the public consultation

A large majority of the participants agreed that any balancing action must be neutral for the TSOs, and that thus, the costs related to the use of locational products must be integrated into the neutrality account. However, a shipper feared possible confusion between the need of congestion and balancing need, and concluded that if the origin of the intervention is linked to territorial congestion, then the corresponding costs must not be integrated into the neutrality account, but supported by the transport price.

As for the integration of locational products in the imbalances settlement price, most players agree with the theoretical vision according to which the settlement price of imbalances should reflect the cost borne by the TSO. However, several players prefer to reserve their judgement. Finally, three shippers are opposed to this principle. In particular, one of them considers that the locational products meet a specific failure, which does not reflect a market price.

3.5.3. Analysis of the CRE

The CRE considers that the costs relating to the use of locational products need to be integrated into the financial neutrality account for the purpose of balancing, to preserve the principle of neutrality.

In the context of experimentation, it is not excluded that recourse to locational products should be at prices that are not representative. It therefore appears not to be relevant to integrate them into the settlement price of imbalances for the experimentation.

4. Intervention of the TSOs on the markets

4.1. Frequency and hours of intervention

4.1.1. Proposal of GRTgaz

GRTgaz additionally proposes to the three windows of intervention it has had since 1st April 2015 to buy or sell notional products on the stock exchange (10:25 am, 5:25 pm and 11:25 pm), to create two new ones.

- The first, at 2:25 pm, would allow GRTgaz to fulfill its needs before 5:25 pm, in the case of critical and persistent imbalance.
- The purpose of the second would be to anticipate a possible critical imbalance, by intervening:
 - at 11:25 pm the day before on products D+1 (*day-ahead*),
 - at 7:25 am on the within-day products when the imbalance at the beginning of the gas day is critical.

4.1.2. Summary of responses to the public consultation

Most participants have no objection to the increase in the number of intervention slots of GRTgaz on the markets. The vast majority of players considered, like the CRE in its preliminary analysis, that the purchase / sale in product D+1 would be a backward step because the network code recommends that the TSO should intervene within-day.

Adding a slot at 2:25 pm won the agreement of 18 players out of the 21 having expressed their opinion.

The addition of the slot of 7:25 pm divides the players. Some think that this window would be too near the beginning of the gas day to present an advantage.

Two actors are reserved about the increase in the number of intervention windows of GRTgaz. A first suggests that a reduction in the number of interventions by GRTgaz would improve the liquidity of the market by focusing on some schedules. A second was concerned about the fact that an increase in the number of interventions by GRTgaz could lead to the emergence of extreme prices.

4.1.3. Analysis of the CRE

The CRE is favourable to the opening of a new intervention window. It judges, however, that it is desirable at this stage to limit the number of intervention windows to four, so as to concentrate the liquidity.

The CRE thinks that intervening on products D+1 (*day-ahead*) would constitute a step backwards, because the interventions on within-day products are primarily recommended in the network code. It is therefore unfavourable to it.

It considers that the slot of 2:25 pm is more relevant because it is more advanced in the day than that of 7:25 am, which allows the TSO to assess its need better.

The CRE is therefore favourable only to the addition of an intervention window by GRTgaz at 2:25 pm in within-day.

4.2. Physical clearance of the neutrality account for balancing

4.2.1. Proposal of GRTgaz

Currently, GRTgaz physically clears the balance of the neutrality account by buying or selling products at delivery deferred to the month ahead. GRTgaz has explained, in Concertation Gaz, the fact that over the past year, this method has occasionally resulted in purchases of gas under the previous month, delivered whilst the system is long and vice versa.

As a result, GRTgaz proposes on one hand, to transfer the physical balance of imbalances to its own needs, and on the other hand, that the quantities thus cleared should be valued at the average price of the elapsed month to supply the financial neutrality account. Thus, instead of resorting to delivery purchases-sales deferred to the month ahead on the market to cover the balance of the elapsed cleared month, GRTgaz would go ahead, only when this is necessary, to purchasing for its own needs. This method would avoid establishing a long or short trend by the clearance of the neutrality account of a previous month.

4.2.2. Summary of responses to the public consultation

Apart from two players, the other respondents are favourable to this modification of the physical clearance of the neutrality account for the purpose of balancing.

4.2.3. Analysis of the CRE

GRTgaz proposal meets the need to approach the clearance price of the past month and makes it possible to reduce the risk of significant variation between the price of gas at the time of the imbalances and at the time of its delivery on the network.

The CRE is therefore favourable.

5. Decision of the CRE

The CRE approves the proposals of the TSOs with the exception of the following section:

- GRTgaz proposes "*adding a window earlier in the morning at around 7:25 am or the day before towards 11:25 pm (Day-ahead product) to multiply opportunities for using notional products in the case of major imbalance (projected linepack indicator in the red area).*"

and subject to the changes to the following sections:

- the sentence "*The neutral settling price corresponds to the price equal to the average of the average daily prices of the month for the considered market place (PEG Nord or TRS) of the balancing area in question*", of section B. 2. of the proposal of the TSOs relating to the creation of two flexibility services based on the available linepack, is replaced by "*The neutral settling price corresponds, for each shipper, to the weighted average of the average prices of each day eligible for service by the volumes of imbalance of the shipper in question offset by the service. As a transitional measure, and until 31st December 2015, the TSOs have the possibility of applying a neutral reference price equal to the average applied on the days of eligibility of the service of daily average prices of the month for the market place considered, PEG Nord or TRS, the balancing area in question*";
- the sentence "*The ALIZES service is applied each day for each balancing area where GRTgaz has not intervened*", of section B.2. of the proposal of the TSOs relating to the creation of two flexibility services based on the available linepack, is replaced by "*The ALIZES service is applied each day for each balancing area where GRTgaz has had no need to intervene*";
- the sentence "*The SET service is applied each working day during which TIGF has not intervened*" is replaced by "*The SET service is applied each working day during which TIGF has had no need to intervene*";
- the sentence "*The call to the locational product is triggered if after 2 interventions on the stock exchange (notional product) the projected linepack indicator remains in the red area or the orange area*" of section 2.4.2 of the proposal of GRTgaz relating to the experimental use of physical locational products and developments of interventions of GRTgaz from 1st October 2015, is supplemented by "*the call to the locational product is triggered as soon as possible after the 3rd intervention window on the stock exchange (notional product) if the projected linepack indicator remains in the red zone or the orange zone*".

The CRE asks GRTgaz to

- submit feedback regularly to Concertation Gaz, in the first half of 2016, on its use of locational products during the experimentation period, and specifying in particular:
 - the conditions that led to the initiation of the call for tender;
 - the number of participants in the call for tenders and selected participants;
 - the average price of selected products;
 - the time between the publication of the call for tenders, the selection of tenders and the observed delivery.
 - any difficulties encountered during the tendering process;
 - any effects of this new mechanism on the liquidity of the within-day market;

- the interest of this new device, compared with the flexibility contract today in force and interventions on notional within-day products.
- Send to the CRE the detailed reports of the various calls for tenders, to analyse the operational conduct and ensure the conditions of transparency and non-discrimination.
- study, in the context of the Concertation Gaz, the provisions for including the flexibility of industrial clients in the device for call for tenders for locational products.

Paris, the 10th September 2015,

For the Regulatory Commission of Energy,

Chairman,

Philippe DE LADOUCETTE

Appendices:

- Joint Note of TIGF and GRTgaz on the creation of two flexibility services based on the available linepack as of 24/06/2015
- Proposal of GRTgaz on the use of locational products as of 25/06/2015