

4 May 2006

PUBLIC CONSULTATION CONCERNING BALANCING REGIME CHANGES FOR THE NATURAL GAS TRANSMISSION NETWORK

Introduction:

This public consultation involves balancing regime changes for the natural gas transmission network of the two French transmission system operators (TSO), GRTgaz and TIGF.

Transmission network balancing is a fundamental remit of TSOs. In the event of injection of insufficient or surplus gas quantities in the network by transmission network users (hereafter known as 'shippers'), the transmission network is subject to physical imbalances and TSOs must compensate for this imbalance. In order to do so, they can use different means, the main ones of which are:

- Linepack, with a limited volume which is already deployed for intra-day balancing;
- Underground storage facilities, which are also limited and constitute costly resources whose utilisation must comply with physical and geological constraints depending on the type of storage;
- Resort to the market.

These means are charged to shippers and therefore to end consumers. In order to limit the size of imbalances to be compensated for by TSOs, each shipper is subject to a general obligation to balance its injections and withdrawals on a daily basis.

The balancing regime currently in force in France is mainly based on TSO utilisation of storage facilities. However, it is planned to eventually change over to a balancing regime based on market strategy in compliance with a principle similar to the electricity balancing market.

This consultation targets all market players and is aimed at collecting their experience feedback on the current balancing regime, and their opinion on the planned target balancing regime and the two TSOs' proposals for implementation.

At the end of this consultation and depending on the results, CRE might take the following decisions:

- By the end of June 2006, a decision, if need be, authorising GRTgaz to apply certain principles of its proposals for balancing regime change on an experimental basis, as described in the appendix to this consultation, between July and December 2006;
- By the end of December 2006, a decision defining or approving, if need be, new balancing rules which would come into force as from 1 January 2007.

I - Current balancing regime in force

1 Reminder of the current balancing system in force

The main balancing operation rules are defined in the document '*Decision on tariffs for utilisation of natural gas transmission networks of 27 May 2005*' published in the Official Journal of 29 May 2005.

The detailed balancing operation methods are defined by each TSO, based on objective and transparent criteria, preventing any discrimination of shippers and of consumers, notified to CRE and published on its website.

The decision of 27 May rules that shippers are subject to balancing obligation, on a daily and monthly basis, for each balancing zone where they have capacity reserves.

Shippers who have subscribed to connection capacities between balancing zones can compensate for their imbalances in the same TSO balancing zones, within the limits of their subscribed connection capacities. In the same way, in the GRTgaz North zone, shippers who have subscribed to capacities for conversion of H gas into B gas can compensate for B gas imbalances, within the limits of their subscribed conversion capacities.

a) Daily imbalance:

Daily imbalance is calculated, on a daily basis, for each shipper, and each balancing zone and in the GRTgaz North zone, for each type of gas, as being equal to the difference between the sum of quantities brought into the balancing zone under consideration by the shipper and the sum of the quantities taken out from this zone by the shipper.

Every day, in each balancing zone, if the shipper's daily imbalance exceeds the daily imbalance tolerance, quantities outside the tolerances must be bought from or sold to the TSO, depending on the case, by the shipper.

Daily imbalance tolerance is defined in the following way:

- $\pm 20\%$ of daily delivery capacities subscribed by the shipper at delivery points connected to the balancing zone under consideration, in the bracket of 0 to 1 GWh per day;
- $\pm 5\%$ for the share of this total exceeding 1 GWh per day.

b) Cumulative imbalance:

In each balancing zone and in the GRTgaz North zone, for each type of gas, each shipper's residual imbalances, after incorporation of purchases and sales described above, are reported on a daily basis in order to calculate cumulative imbalance, with a maximum imbalance tolerance set at three times the daily imbalance tolerance.

Every day, in each balancing zone, if the shipper's cumulative imbalance exceeds the cumulative imbalance tolerance, quantities outside the tolerances must be bought from or sold to the TSO, depending on the case, by the shipper.

c) Gas purchase or selling price in the event of imbalance:

If daily imbalance exceeds the daily imbalance tolerance, the quantity outside the tolerances is bought from or sold to the TSO by the shipper, at the daily reference price, corresponding to the price of gas at the Zeebrugge hub delivered at the gas exchange point (PEG) in the balancing zone under consideration, increased or decreased by 50%.

Along the same lines, if on a given day, cumulative imbalance exceeds the cumulative imbalance tolerance, quantities outside the tolerance are bought from or sold to the TSO by the shipper, at the daily reference price defined above, increased or decreased by 50%.

At the end of every month, the surplus or deficit quantity is, depending on the case, bought from or sold to the TSO concerned by the shipper at the reference price for the month under consideration. Calculation of this monthly reference price is based on the gas market price at the Zeebrugge hub delivered at the gas exchange point (PEG) in the balancing zone concerned.

2 Shortfalls in the current balancing regime in force

a) TSOs do not resort to the market to cover their balancing needs

At present, TSOs ensure transmission network balancing by using pipeline gas and especially calling on the underground storage facilities. In order to do so, they subscribe to an annual storage service to cover their withdrawal and injection needs. The cost of this service is included in the charges to be covered by the tariff for utilisation of transmission networks.

Resort to the market could constitute a more flexible and less costly alternative for TSOs than storage facilities. In addition, TSO market transactions would result in raising the volumes exchanged at gas exchange points and could improve French market liquidity.

b) The price of imbalances invoiced to shippers is unrelated to real balancing costs and does not reflect the actual network situation

TSOs invoice shippers for their imbalances based on the price of gas at the Zeebrugge hub delivered to the gas exchange point in the balancing zone concerned, increased or decreased by 50% if the tolerances have been breached.

The reference price of gas at the Zeebrugge hub does not reflect real balancing costs borne by French TSOs. Furthermore, it does not enable TSOs to send a correct economic signal to shippers who are therefore not encouraged to adapt their behaviour to the state of the network and of the market.

c) Flexibility proposed by TSOs and operators of storage facilities have adverse effects

In order to acquit their balancing obligation, shippers mainly have two types of flexibility at their disposal:

- Possibilities of re-nomination during the gas operating day to adjust quantities of gas injected in the transmission network;
- The daily balancing service (SEJ) proposed by storage facility operators only to shippers with storage capacities and within the physical and geological limits of storage facilities.

Assessment of SEJ utilisation shows that it can clear off a major part of subscribing shippers' imbalances. However, due to the existence of several balancing zones and several groups of storage facilities in the GRTgaz network, the SEJ causes a loss of visibility for shippers concerning their gas stocks and great complexity of management for GRTgaz. Moreover, by making it possible to cancel out part of the imbalances afterwards, the SEJ reduces shipper incentive to limit their imbalances as much as possible.

d) Shippers find it hard to manage imbalances

Certain shippers have communicated their problems with managing total cumulative imbalances, mainly due to a shortfall in allocations of quantities of gas transmitted to shippers by TSOs on D+1, which are often subject to major adjustments at the beginning of month M+1.

These allocation adjustments at the beginning of month M+1 disturb cumulative imbalance accounting. Identification of a daily balancing price by clearing off each shipper's position based on this price would enable cumulative imbalance accounts to be suppressed.

In addition, TSOs do not currently publish such daily information on gas movements as quantities consumed, quantities transferred at gas exchange points, total network imbalance position, consumption forecasts, etc.

II - Target market-based balancing regime

It is planned to change the current balancing regime in force for the natural gas transmission network over to a mechanism operating in line with market rules, in compliance with the principles adopted for electricity market balancing:

- Quantities of gas required to ensure transmission network balancing are purchased from or sold on the daily and intra-day market by TSOs;
- A daily gas balancing price reflecting actual costs borne by every TSO is defined according to these purchases and sales;
- Every day, each shipper's position is cleared off by transactions at the daily balancing market price with penalties being applied for breach of imbalance tolerances and consequently the notion of cumulative imbalance is suppressed.

Setting up of a balancing regime based on market rules would be consistent both with electricity balancing market rules applicable in France and with the European Commission and ERGEG recommendations.

III - Implementation of a new concerted and progressive balancing regime

The aim of changing the current balancing regime over to incorporate market strategy has been agreed to by the two French TSOs.

However, the French gas market is still characterised by low liquidity and the presence of highly dominant players, especially in the south of the country: GRTgaz South balancing zone and TIGF zone. In addition, TSO balancing needs may be greater than the volumes transferred at the gas exchange points on a daily basis.

To prevent the market from being upset and erratic prices from being generated, implementation of a market-based balancing regime should be progressive and start off for only part of TSO needs.

Taking into account their respective situations, GRTgaz and TIGF are proposing different change strategies and methods to achieve their target.

1 Balancing regime change based on consultation of all market players and CRE validation

So that the new balancing regime can be set up under the best possible conditions, it is planned to adopt the same organisation mode as that adopted for the electricity balancing market.

Within this framework, balancing regime changes will be decided upon by CRE deliberations, based on proposals made by the TSOs after in-depth discussions with all market players and CRE will continue to check the working of the balancing regime.

2 Methods proposed by GRTgaz to develop balancing rules

In order to take into account current development of the French market, which still has low liquidity, GRTgaz wishes to progressively develop the volume of its market transactions. In order to do so, GRTgaz proposes to go ahead in two phases, detailed in the appendix to this document:

- An experimental phase for certain principles of the new balancing regime, between July and December 2006, within the framework of current balancing rules;
- A transition phase between the current and target regimes, between 2007 and 2009, within the framework of new balancing rules approved by CRE.

During the transition phase, every day, GRTgaz would buy or sell an x% fraction of the gas required to ensure physical balancing of the network. The value of x, evaluated at start-up as between 15% and 25% of total daily balancing needs, would change over the transition period to reach 100% of total daily balancing needs in 2009, market development permitting. These GRTgaz market transactions would thus enable a daily balancing market price to be determined per balancing zone. Rules governing the methods of compiling this daily balancing market price are to be defined to ensure robustness.

The mode for processing shippers' daily imbalances would be developed at the same time. For shipper daily imbalance within the tolerance, an x% fraction would, as the case may be, be bought from or sold to GRTgaz by the shipper, at the daily balancing market price. The remainder, i.e. (100-x)%, would be posted in a cumulative imbalance account every day. For daily or cumulative imbalance in breach of tolerances, the principle of a $\pm 50\%$ penalty, as the case may be, would be kept.

In addition, right from start-up planned for January 2007, certain operating rules of the system in force are to be modified:

- Reduction in daily imbalance tolerance and in cumulative imbalance tolerance for the largest shippers;
- Creation by GRTgaz of a new optional offer of extension of daily imbalance tolerance, as the SEJ will have been suppressed by Gaz de France Large-scale Infrastructure Division (Gaz de France DGI);
- Simplification of cumulative imbalance account management and development of the mode for clearing off imbalances between provisional D+1 allocations and definitive M+1 allocations;
- Availability to the market of daily information on gas movements.

During the experimental phase, between July and December 2006, GRTgaz wishes to carry out daily market transactions, without modification to the imbalance price invoiced. GRTgaz also wishes to propose an option of extension of daily imbalance tolerance, to replace the SEJ as from July 2006.

3 Methods proposed by TIGF to develop balancing rules

TIGF agrees with the intention of eventually setting up a market-based balancing regime. However, TIGF believes that conditions for implementing such a system in its zone have not yet been fulfilled for the following reasons:

- Current market liquidity in the TIGF zone is inadequate to supply the TSO's entire needs at a relevant gas price, given the low number of transactions observed at the TIGF gas exchange point and low quantities exchanged, as well as the predominance of certain shippers in the zone;
- Given the size of changes occurring within TIGF since 1 January 2005 (in terms of organisation and scope of activity), the company wishes to have sufficient time to stabilise its organisation and its information systems.

Moreover, assessment of the current balancing system in the TIGF zone shows that the SEJ enables shippers to cover most of their imbalances through their own means (without additional reservation of storage capacities by TIGF or by shippers).

For these reasons, TIGF does not envisage in the short term to change over, even progressively, to the target balancing regime. TIGF is nevertheless ready to use a reference price other than that of Zeebrugge to clear off shipper imbalances, if this results in a robust balancing price in France.

As soon as there is a market price reflecting sufficient competition in its zone, TIGF is ready to set up the target balancing regime.

In addition, TIGF considers that the appeal of its gas exchange point mainly lies in the existence within its zone of large-scale storage capacities which can be used by shippers for modulation purposes outside the TIGF zone. TIGF consequently intends to contribute to raising market liquidity in its zone and to revitalising exchanges by increasing firm and sellable capacities at the interconnection points on nearby transmission networks (French and Spanish).

TIGF would therefore develop sellable capacities at the interconnection points of Bariatou and Hérault, essentially through a project for reinforcing the trunk main in Guyenne, and study along with Spanish operators, possibilities of short-, medium- and long-term development of transmission capacities at interconnection points with Spain.

Lastly, with a view to contributing to increased exchanges through better visibility for shippers, TIGF is willing to study publication of further information for the market and setting up of tools to facilitate intra-day and day-ahead comparison between gas supply and demand.

CRE invites all interested parties to submit their contribution **by 6 June 2006**:

- On CRE's website, under the heading 'Public consultations', by using the function 'Contribute' (possibility of sending an electronic document);
- By e-mail to the following address: com@cre.fr;
- By post to: 2, rue du Quatre Septembre - 75084 Paris Cedex 02 – France;
- By meeting CRE departments on appointment from the Gas Networks and Infrastructures Division (telephone number: 01 44 50 41 72),
- Or by requesting to be heard by the Commission.

The summary of contributions to this consultation will be made public by CRE, excluding secrets protected by law. Upon request from the persons consulted, confidentiality of their contribution and/or anonymity are guaranteed.

Some questions are listed below for information purposes:

General questions:

Question 1 : *What is your experience feedback on the balancing regime in force for GRTgaz and TIGF networks and, if relevant, those in force abroad?*

Question 2 : *What do you think of the target principles for a new market-based balancing regime?*

Question 3 : *Are you in favour of progressive implementation of the new balancing regime, taking into account French market development, or do you think it is necessary to wait for the French market to have sufficient liquidity to enable the new system to be fully implemented without any period of transition?*

Question 4 : *Do you think that discussions with market players should be held jointly with both TSOs or that they could be specific to each TSO?*

Question 5 : *Do you consider that differentiated balancing regime change for GRTgaz and TIGF networks would constitute an obstacle for the French market?*

Questions on the GRTgaz implementation proposal described in the appendix:

Question 6 : *What do you think of the method proposed by GRTgaz to develop the balancing regime for its network?*

Question 7 : *What do you think of the reduction in standard tolerance proposed by GRTgaz for large-sized shippers?*

Question 8 : *Are you in favour of GRTgaz creating a new optional offer of extension of daily imbalance tolerance, as a replacement for the SEJ provided by Gaz de France DGI, in order to group the various flexibility tools together in the GRTgaz offer? Do you think it timely to apply this grouping right from the experimental phase, in July 2006?*

Question 9 : *What do you think of the variation in limits of optional tolerance bands depending on temperature? What do you think of the temperature limits proposed by GRTgaz?*

Question 10 : *What do you think of market transaction methods proposed by GRTgaz? What do you think of the rules governing definition of the daily balancing market price proposed by GRTgaz?*

Question 11 : *Does the initial calculation of the value of factor x determining the part of imbalances to be procured and invoiced on the market seem relevant to you? Do you think that at start-up the value of factor x should be different for the North and South balancing zones?*

Question 12 : *What do you think of GRTgaz proposals to simplify cumulative balance accounting in the transition phase? In particular, do you think it preferable to clear off imbalances between provisional $D+1$ allocations and definitive $M+1$ allocations through purchases/sales at the daily market price, or to carry them over to cumulative imbalance accounts for the month $M+2$?*

Question 13 : *What do you think of the information that GRTgaz is proposing to make available to the market? Does this information seem adequate for the start-up phase? What would the additional needs be for a later phase?*

Question 14 : *Are you in favour of the experimental phase proposed by GRTgaz, between July and December 2006, testing out certain principles of the new balancing regime within the framework of balancing rules currently in force?*

Questions on the TIGF stance:

Question 15 : *Do you agree with the TIGF analysis of the market situation in the TIGF zone?*

Question 16 : *What do you think of the TIGF proposal to wait for creation of a market in the South-West with sufficient liquidity before changing its balancing regime?*

Question 17 : *What do you think of the TIGF proposals to contribute to raising liquidity at the TIGF gas exchange point?*

Do you have any other comments or proposals concerning the balancing regime currently in force, target system and implementation proposals submitted by the two TSOs?

APPENDIX

Detailed change of balancing rules proposed by GRTgaz

In order to take into account current French market development which is still in an emergent phase, GRTgaz wishes to develop its volume of market transactions in keeping with the pace of French market liquidity growth. In order to do so, GRTgaz proposes to go ahead in two phases, described in detail in the appendix to this document:

- An experimental phase testing out certain principles for the new balancing regime, between July and December 2006, within the framework of current balancing rules;
- A transition phase between the current and target systems, between 2007 and 2009, within the framework of new balancing rules approved by CRE.

I - Progressive implementation of the target regime between 2007 and 2009

1 Changes in daily imbalance tolerance

Two changes are planned for daily imbalance tolerances, compared to the current system: reduction in daily imbalance tolerance and in cumulative imbalance tolerance for the largest shippers and introduction of a new option of daily tolerance extension, to replace the SEJ provided by Gaz de France DGI.

Under the new balancing regime, in each balancing zone and in the GRTgaz North zone, for each type of gas, every shipper would benefit from a standard daily tolerance band, included in tariffs for transmission network utilisation, of:

- $\pm 20\%$ of daily delivery capacities subscribed by the shipper at delivery points connected to the balancing zone under consideration, in the bracket of 0 to 1 GWh per day;
- $\pm 5\%$ for the share of this total exceeding 1 GWh per day;
- $\pm 2\%$ or $\pm 3\%$ for the share of this total exceeding 100 GWh per day.

In addition to this standard daily imbalance tolerance for each balancing zone and in the GRTgaz North zone, for each type of gas, every shipper can also subscribe to a paying option of extension of daily imbalance, enabling standard tolerance limits to be changed by $\pm 5\%$. Total daily imbalance tolerance (standard offer supplemented by the option) can thus reach:

- $\pm 25\%$ of daily delivery capacities subscribed by the shipper at delivery points connected to the balancing zone under consideration, in the bracket of 0 to 1 GWh per day;
- $\pm 10\%$ for the share in this total between 1 GWh and 100 GWh per day;
- ± 7 or $\pm 8\%$ for the share in this total exceeding 100 GWh per day.

Subscription to this tolerance extension option is to be available on an annual basis, at a cost determined by CRE.

Moreover, start-up of this option would coincide with suppression of the SEJ provided by Gaz de France DGI.

2 Adaptation of the optional daily imbalance tolerance during cold spells

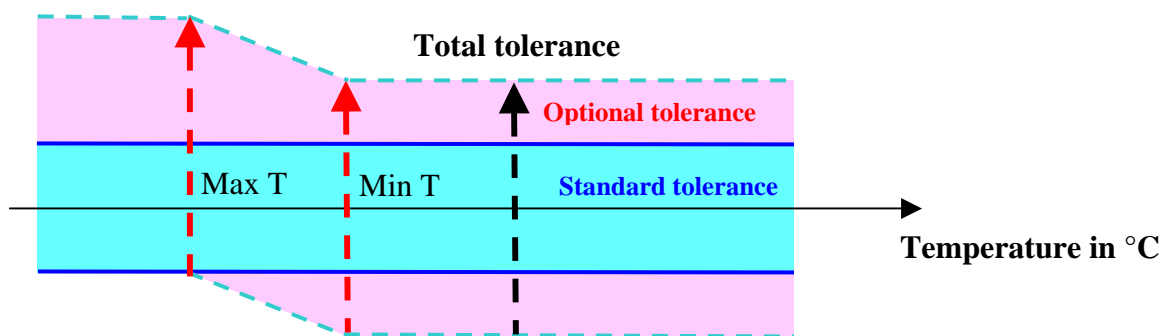
In order to take into account physical constraints of gas infrastructures during cold spells, the upper and lower limits of the optional daily imbalance tolerance would be calculated based on average daily temperature, in keeping with current SEJ principles.

In addition, a maximum and minimum temperature are to be defined for each balancing zone.

In a balancing zone, if the average daily temperature is between the maximum and minimum temperature for this zone, the upper and lower limits of total daily tolerance change in a straight line to reach the days when average daily temperature is equal to the maximum temperature:

- For the upper limit of daily imbalance tolerance: + (standard tolerance + 2 * optional tolerance);
- For the lower limit of daily imbalance tolerance: - (standard tolerance).

This change depending on temperature can be illustrated in the following way:



GRTgaz is planning to adopt minimum temperatures corresponding to real temperatures specified below, for each balancing zone and maximum temperature is defined for each balancing zone in the following way: $\text{Max T} = \text{Min T} - 4^\circ\text{C}$.

	Min T
North Zone, H type	-2.4 °C
North Zone, B type	-4.0 °C
East Zone	-6.3 °C
West Zone	-1.2 °C
South Zone	-3.7°C

These minimum temperatures correspond to the coldest temperatures encountered every second winter (50% risk).

In addition, GRTgaz is planning to provide every shipper with a daily forecast of upper and lower limits of daily imbalance tolerance for each balancing zone for the next day. These tolerance limits are calculated based on average temperature forecast by Météo France for the next day.

3 Processing of daily imbalances

Daily imbalance would still be calculated for each shipper, and each balancing zone and in the GRTgaz North zone, for each type of gas, on a daily basis, as being equal to the difference between the sum of the quantities withdrawn from the entry points in the balancing zone (including connections

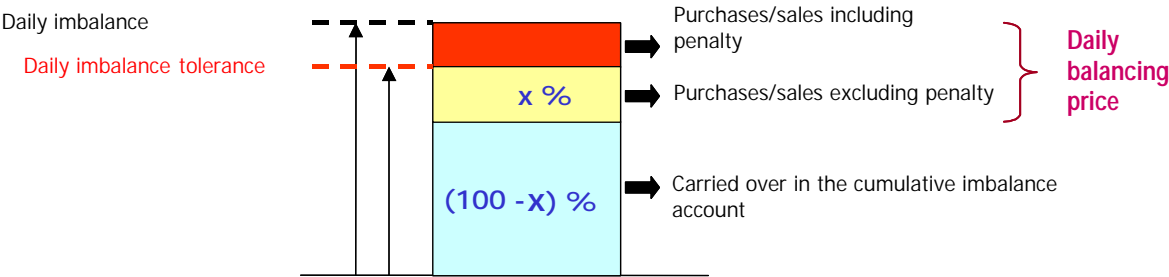
to other zones, and the zone gas exchange point) and the sum of the quantities delivered to the exit points attached to the zone (including connections to the zones and gas exchange point).

For each balancing zone, if the shipper’s daily imbalance breaches the daily imbalance tolerance, the quantities breaching tolerance must be bought from or sold to GRTgaz by the shipper, depending on the direction of the imbalance (surplus or deficit), at the daily balancing market price including the penalty.

For each balancing zone, the shipper’s daily imbalance within the daily imbalance tolerance limits, is to be handled in the following way:

- A part of it, x%, is bought from or sold to the TSO by the shipper, depending on the direction of the daily imbalance, at the daily balancing market price;
- The remainder, (100-x)%, of each shipper’s daily imbalance is reported on a daily basis in a cumulative imbalance account attached to the balancing zone. For each balancing zone, maximum authorised cumulative imbalance is set at 5 times the daily maximum movement of the cumulative balance account, i.e. $5 \cdot (1-x) \cdot \text{daily tolerance of the zone}$.

Processing of daily imbalance can be illustrated in the following way:



The value of factor x would change throughout the transition period to reach 100% as a target. At the beginning, the starting value for x would probably be between 15% and 25%.

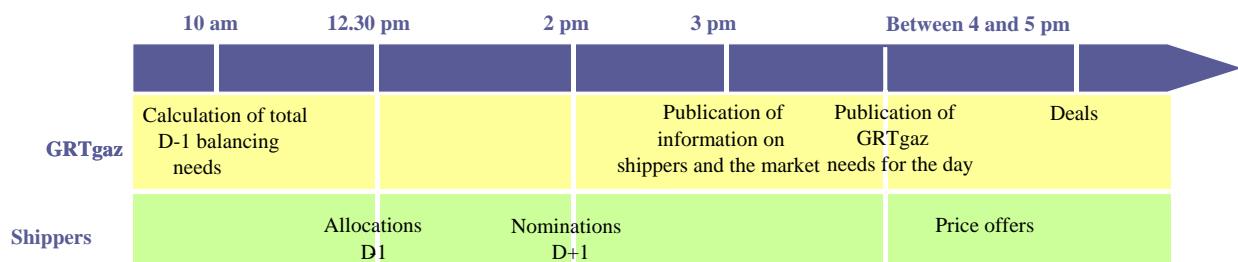
4 Determination of the imbalance settlement price

Within the framework of the new balancing regime, it is planned for GRTgaz to buy from or sell on the intra-day market the gas required to ensure physical balancing of the network on a daily basis. This physical balancing need for any given day corresponds to the shippers' cumulative balancing needs.

In order to incorporate current development of the French market, the following actions have been initially planned:

- Limiting GRTgaz purchases/sales to a fraction $x\%$ of its gas needs to ensure physical balancing of the network. This part is comparable to the value of factor x , increasing at the same pace;
- Limiting GRTgaz to day-ahead transactions, as intra-day market liquidity is still inadequate. These transactions would cover a part of the imbalances of the day and of the day before.

The daily process of GRTgaz market transactions can be outlined in the following way:



The daily market price used to clear off the shippers' daily imbalances is to be determined per balancing zone, in compliance with the following rules:

- It would be based on a daily market price for the North zone, resulting from GRTgaz purchases/sales in this zone with an additional factor representing transmission or conversion for the North (B), East and West balancing zones;
- It would be based on a daily market price for the South zone, resulting from GRTgaz purchases/sales in this zone.

Every day, for the North and South zones, the daily market price would be equal to the average weighted price of balancing transactions made by the TSO on the market during the day, providing these transactions have been made by the TSO from a panel of at least three offers made by three different parties.

An additional factor k in euros/MWh, which might be around 0.5 euros/MWh, is to be applied to the price invoiced to shippers with imbalance in the same direction as total network imbalance.

The balancing price applied to shippers could be made up in the following way:

	Network with gas surplus	Network with gas deficit
	GRTgaz sells gas on the market at SP (Euros/MWh)	GRTgaz buys gas from the market at PP (Euros/MWh)
Shippers with surplus: GRTgaz buys gas from the shippers at	$Sp - k$	PP
Shippers with deficit: GRTgaz sells gas to the shippers at	Sp	PP + k

For every day that GRTgaz receives fewer than three offers to meet its balancing needs, the daily market price is based on the French gas exchange point day-ahead price published by European Argus, adjusted by $\pm 10\%$.

For each balancing zone, the daily penalty-adjusted price, used in the case of daily or cumulative tolerance overrun is to be calculated based on daily market price, with a $\pm 50\%$ penalty.

In the same way as at present, the running of this system would be financially neutral for GRTgaz and any income generated by coefficient k and penalties is to be posted and returned to GRTgaz network users.

5 Improved shipper imbalance coordination

In order to improve shipper imbalance coordination, GRTgaz proposes simplifying cumulative imbalance operations and management and publishing a certain amount of information for the market on a daily basis.

In order to facilitate cumulative imbalance account management, shippers would be able to nominate on these accounts, in order to clear them off to zero.

In addition, quantities allocated for day D and a given balancing zone to the corresponding cumulative imbalance account and published on $D+1$ would no longer be modified. At the end of each month, if daily imbalance values are recognised as definitive for each day, the difference between the quantities allocated in each cumulative imbalance account on $D+1$ and the definitive quantities which should have been allocated is handled independently in compliance with a method still to be defined. This would consist, for each day and for each balancing zone, of purchase or sale of corresponding quantities at the daily market price or this difference could be carried over to the cumulative imbalance account for the next month ($M+2$).

GRTgaz also intends publishing, every day as from July 2006, daily information covering the following items for each balancing zone:

- Total daily consumption for the zone for $D-1$;
- Total daily consumption calculated by GRTgaz for the zone for days D and $D+1$;
- Daily GRTgaz network inputs and outputs for $D-1$ at each interconnection point attached to the zone;
- Total daily quantities transferred at each gas exchange point for $D-1$.

II - Experimental phase between July and December 2006

GRTgaz wishes to set up an experimental phase for the new balancing regime described above, as from 1 July 2006, within the framework of the current balancing rules.

Within this context, this experimental phase would focus on the following items:

- Start-up of GRTgaz transactions on the French market, for the purchase or sale, every day on a day-ahead basis, of a part of the gas required for physical balance of the network. At the same time, GRTgaz would distribute information on these transactions, specifying at least, every day for North and South balancing zones, the average transaction price, daily quantities bought and sold, and the number of offers received by GRTgaz;
- Additional GRTgaz offer of the option of tolerance extension to replace the SEJ provided by Gaz de France DGI, enabling each shipper to have a total daily tolerance at their disposal (standard tolerance, supplemented by the optional tolerance), for each balancing zone, which could amount to a maximum of:
 - $\pm 25\%$ of daily subscribed delivery capacity, up to 1 GWh per day
 - $\pm 10\%$ of daily subscribed delivery capacity exceeding 1 GWh per day

Subscription to this option of tolerance extension is to be available at an identical cost to that of the SEJ currently proposed by Gaz de France DGI, i.e. 15 euros/MWh a day pa.

During this period, the rules in force governing balancing would continue to be applied. Shippers' imbalances might however be invoiced at the best price between Zeebrugge and the daily balancing price resulting from GRTgaz transactions.