

## Roadmap for changes to the balancing system

### Introduction

---

In its deliberation of 21 September 2012, the CRE said it planned to launch a public consultation towards the end of 2012 over the **roadmap for changes to the TIGF and GRTgaz balancing systems** towards its defined target. At the Concertation Gaz “balancing” working group meeting in November 2012, the CRE asked TIGF to submit a proposal to them at the start of December. This document constitutes the proposed roadmap for changes to the TIGF balancing system. It breaks down into two stages.

The first stage consists of **ensuring the conformity of the balancing system** used by TIGF within one year from the adoption of the European network code on balancing<sup>1</sup>. It is generally expected that the code will be adopted in the first half of 2014, therefore the balancing system needs to achieve conformity no later than the **first half of 2015**.

The second stage is to do with the implementation of **interim measures beyond 2015**. In the case of shippers not having access by that time to a sufficiently liquid short-term market, or to adequate information concerning their network injections/draw-offs, then the code recommends the introduction of **tolerances**. Whilst not wishing to prejudge the situation that far ahead, TIGF shares the general feeling that a tolerancing mechanism should be considered for operation beyond 2015. TIGF also backs GRTgaz’s proposal for research work within Concertation Gaz over 2013 on how to adapt the current tolerancing mechanisms to an interim regime.

The changes described in the remainder of the document cover the following points:

- the **information provision**;
- the **settlement of imbalances**;
- the **interventions in the market**.

The development and operating costs associated with those changes shall be covered by the ATRT5 tariff.

---

<sup>1</sup> ENTSOG delivered its network code on balancing to ACER at the end of October 2012. The document can be accessed in English on the ENTSOG website.

## Information provision

---

### *Information from the transport grid*

First of all, TIGF wishes to point out a project to provide information to shippers concerning **intraday consumption by customers directly connected to its network** (Consumer Interface Points – **PICs**) along with **intraday gas deliveries to distribution networks** (Distribution-Transport Interface Points – **PITS**) was implemented in course of December 2012. That project was the subject of a deliberation by the CRE<sup>2</sup>, and was delivered on time.

2

- The new service enables shippers to access detailed information on PICs and PITDs at four-hourly intervals.
- Provision of information at one-hour intervals will be progressively rolled out across PICs during 2013 (by the end of 2012, approximately one third of PICs are being read at hourly intervals). TIGF's aim is to cover all PICs by the end of 2013. (It is worth noting that the consumption at PICs in 2011 accounted for 5 TWh out of a total of 27 TWh for all PICs and PITDs combined.)
- Under the balancing rules, there is no provision for distribution stations to be changed over to an hourly reading frequency.

### *Information from distribution networks*

Where distribution consumption is concerned, TIGF plans to work with distribution system operators GrdF and Regaz to develop three projects to provide consumption information for consumers connected to those networks:

- the first is to do with the **gross daily consumption forecast for profiled customers**. That information, to meet one of the requirements of the code, shall be provided in an aggregated format, broken down by shipper, at 13:00 hours on the previous day, then updated twice during the course of the day;
- the second is to do with **consumption from the start of the day for non-profiled customers**. That information, covered by a deliberation<sup>3</sup>, shall be provided in an aggregated format, broken down by shipper, twice during the course of the day;
- the third is to do with the provision of a **k0 coefficient**, allowing adjustment of the gross daily consumption forecast for profiled customers. That coefficient shall be calculated from TIGF's

---

<sup>2</sup> CRE Deliberation of 1 December 2011 including approval for changes to the balancing rules for the GRTgaz and TIGF gas transport networks.

<sup>3</sup> CRE Deliberation of 21 June 2012 including approval for changes to the balancing rules for the GRTgaz and TIGF gas transport networks.

daily consumption forecasts and shipper nominations for non-profiled customers. TIGF shall publish the daily consumption forecasts used to calculate that coefficient.

For information, non-profiled customers and profiled customers respectively weighed for 15% and 85% of distribution consumption (22 TWh) in 2011.

TIGF plans to deliver these new services covering distribution consumption as follows:

- no later than the end of 2013 for profiled customers and the k0 coefficient;
- no later than the end of 2014 for non-profiled customers;

### *Area consumption forecasts*

Finally, TIGF initiated a new project in 2012, aimed at producing daily consumption forecasts for the area. By the end of 2013, that project will allow:

- publication of a provisional imbalance indicator at the end of the day, intended to trigger TIGF's interventions in the markets. (For more detail, refer to the chapter on "Interventions by TIGF in the market"). That indicator shall be calculated on the basis of daily consumption forecasts at area level.
- publication of the k0 coefficient. That k0 coefficient shall be calculated on the basis of daily distribution consumption forecasts.

The group of projects described above constitutes TIGF's proposal for the 2013/2014 period in respect of the information provision to shippers. Their purpose is to enable each shipper to achieve the best possible daily balance in their portfolio across the TIGF balancing area.

## Settlement of imbalances

---

### *Changeover to marginal price*

For shippers who do not have tolerances in place for the settlement of their imbalances, TIGF buys or sells the quantities of their imbalances at the end of the day at price P1. That price constitutes a full discharge, and includes a 30% penalty. From 1 January 2012, it has included the average price of transactions carried out by TIGF on the market for residual shipper balancing.<sup>4</sup>

---

<sup>4</sup> When TIGF does not intervene, the price is based on the EOD reference figure for delivery on the day in question on the South PEG. The EOD reference figure is published by Powernext.

In order to make its payment arrangements for shipper imbalances comply, TIGF **must change P1 over to a marginal price**<sup>5</sup>.

### *Discontinuation of the total discrepancy account*

For shippers who deliver gas to end consumers in the TIGF area and benefit from **tolerances** in settling their imbalances, the P1 price only applies to end-of-day imbalance quantities which exceed their tolerances.

Tolerances allow day to day imbalances to accumulate to some extent. At the end of each month, the total discrepancy account for each shipper is reset to zero by TIGF, who buys or sells the residual quantity from or to that shipper at price P2. Price P2 is an average price<sup>6</sup>. It constitutes a full discharge and carries no penalty. Tolerances are of two kinds:

- a Daily Discrepancy Tolerance (TEJ) equal to 20% of the total subscribed daily delivery capacity in the 0 to 1000 MWh/d range and 5% for the portion above that.  
The TEJ applies to daily discrepancies;
- an Accumulated Discrepancy Tolerance equal to three times the Daily Discrepancy Tolerance (TEC = 3xTEJ).  
The TEC applies to the accumulated discrepancy account.

In order to make its shipper imbalance settlement arrangements conform, TIGF will have to **discontinue the accumulated discrepancy account**.

### *Interim regime*

In the case of an interim regime being considered beyond 2015, then the daily discrepancy tolerance will have to be adapted to satisfy the provisions of the code. Such a move assumes that:

- **price P2 will be changed over to a weighted average price**<sup>7</sup>;
- **That a tolerancing mechanism which conforms to an interim regime is proposed.**

### *Schedule*

The following proposed schedule takes into account the deployment of projects to provide information to shippers, and the roadmap for change presented by GRTgaz to Concertation Gaz.

<sup>5</sup> The marginal price is defined in the ENTSOG network code on balancing.

<sup>6</sup> The price is based on the arithmetic mean of EOD reference figures for delivery over the last 7 days of the month on the South PEG as published by Powernext.

<sup>7</sup> The weighted average price is defined in the code. It is a provision of the interim regime.

Concerning the discontinuation of the total discrepancy account and changes to price P1:

- 1 April 2013: reduction of the TEC (2xTEJ instead of 3xTEJ), continuation of the current mechanism for determining price P1 and reduction in penalty (+/- 20% instead of +/-30%);
- 1 May 2014: reduction of the TEC (1xTEJ instead of 2xTEJ), change to price P1 in favour of a marginal price based on an adjustment component equal to 10%, removal of the penalty charge;
- 1 May 2015: discontinuation of the accumulated discrepancy account and reduction of adjustment component to below 10% (arrangements to be presented to Concertation Gaz).

Concerning the interim regime:

- 1 May 2014: reduction by half of the overall daily tolerance volume and change to price P2 in favour of a weighted average price;
- 1 May 2015: introduction of a tolerancing mechanism which conforms to an interim regime.

## Interventions by TIGF in the market

---

### *Recent developments*

Since 1 January 2012, TIGF has been buying and selling Day-Ahead (DA) and Weekend (WE) products on the Southwest PEG for shippers' residual imbalances. The quantities involved correspond to those of shippers' residual imbalances. TIGF does not always intervene in the market; in particular, TIGF does not intervene when the quantities are less than the smallest contract which can be negotiated on Powernext<sup>8</sup>. Transactions are effected by TIGF personnel in accordance with the intervention arrangements notified to the CRE and presented to Concertation Gaz. For each delivery day, intervention prices are averaged and incorporated into the P1 price for the day in question.

- Information on prices, quantities and the direction of transactions is published on the TIGF website. In 2013, TIGF expects to make this information available via its DATAGAS platform.
- A financial neutrality table, updated on a monthly basis, is also provided on the TIGF website. It shows a balancing account based on purchases and sales made by TIGF with Powernext and the shippers as part of its balancing operations, along with total penalty amounts.
- In June n+1, the balance on the balancing account for calendar year n is charged or paid out to shippers in proportion to their delivery capacity subscriptions for year n (this mechanism replaces the redistribution of balancing penalties).

---

<sup>8</sup> The smallest contract negotiable on Powernext is 240 MWh.

## *Network load indicator*

TIGF plans to develop a **forecast indicator of shippers' total imbalances at the end of the gas day** (network load indicator). That indicator will allow additional information to be supplied in accordance with transparency requirements<sup>9</sup> and will provide a new tool to allow intervention in the markets.

- The indicator shall be calculated at balancing area level on the basis of TIGF's daily consumption forecasts and shippers' nominations at the interconnection points with the adjacent Enagas and GRTgaz transport networks and TIGF's storage infrastructure. It shall be published the day before the gas day in question and then updated every hour.

TIGF plans to deliver this application for the end of 2013.

## *DA/WE interventions*

In October, TIGF presented its feedback to Concertation Gaz about its interventions as part of its management of shippers' residual imbalances. It can be seen that interventions in the DA/WE product market make up a large part of Povernext activity in the Southwest PEG. On that occasion, TIGF put forward a number of proposals for changes to its intervention arrangements. They were discussed and have since been implemented.

TIGF proposes to **continue its interventions in the DA/WE product market**, in order to encourage greater liquidity there and develop its competence.

- From 1 May 2014, TIGF proposes intervening in the DA/WE product segment using the shippers' imbalance forecast indicator as a basis, rather than the shippers' residual imbalance. Quantities shall be determined proportionally; arrangements shall be communicated to the CRE and presented to Concertation Gaz.

## *WD interventions*

Given the roadmap for change concerning the information provision and settlement of imbalances, TIGF proposes **starting interventions in the Within Day (WD) product market** from 1 May 2015. In fact, the new provisions should encourage shippers to be more active in managing their portfolios within each day, and they are therefore highly likely to develop their trade in WD products.

- TIGF proposes intervening in the WD product segment on the basis of the shippers' total imbalance forecast indicator. Quantities shall be determined proportionally; arrangements shall be communicated to the CRE and presented to Concertation Gaz.

---

<sup>9</sup> Particularly Article 3.4.5 of Annex 1 to Regulation (EC) n° 715/2009.

### *Balance of balancing account*

In order to conform to the code, TIGF proposes settling the balancing account on a monthly basis, and not annually, with effect from 1 January 2014.

## Daily Balancing Service (SEJ)

---

The Daily Balancing Service (SEJ) is a flexible product directly marketed by TIGF as a storage provider to shippers.

It enables shippers subscribing to the service (not all of them subscribe) to revise their Storage Transport Interface Point (PITS) notification according to their imbalance at the end of the day on the transport network.

Let us suppose that a shipper, through the SEJ, can withdraw a quantity of 100 MWh/d from the Lussagnet storage facility. If their account shows a deficit of -150 MWh/d at the end of the day, then a quantity of 100 MWh/d is automatically scheduled to be input from the PITS on behalf of that account. Such scheduling is implemented once the gas day has closed.

### *Adaptation of rules*

In the deliberation of 1 December 2011 including changes to the balancing rules, TIGF pointed consider keeping the SEJ in the target system. The CRE noted TIGF should adapt the rules of the SEJ to ensure compliance with the ACER's framework guidelines. The CRE did not specify, however, points out non-compliance which should work TIGF.

End of 2012, TIGF doesn't notice in the network code provisions that make the SEJ incompatible with the target system. Code compliance vis-à-vis the framework guideline is currently being checked by ACER.

TIGF confirms consider keeping the SEJ in the target system and will adjust its rules to ensure compliance vis-à-vis the new regulations. Any proposed changes regarding SEJ will be presented to Concertation Gaz and forwarded to the CRE.

## Summary

### Roadmap proposal – December 2012

TIGF

