

Public consultation of the French Energy Regulatory Commission (CRE) dated 24 October 2013 on the proposition of GRTgaz exceptional evolution of balancing rules on its network for winter 2013-2014

1. Context

GRTgaz alerted numerous times during 2013 on the risk of an eventual deficit in providing the necessary supply in France to cover the gas demand at a cold peak during the 2013-2014 winter, in case of extreme climatic conditions at a risk of 2% (corresponding to the coldest winter in 50 years). This situation is also linked to the decrease in gas underground storage capacities subscription by shippers and to its consequences on the tools at GRTgaz disposal to balance the network. Consequently to the low storage subscriptions and therefore the low filling level of storages at the beginning of the winter, the storage capacities find themselves limited not only for shippers but also for GRTgaz, who will therefore count on a reduced withdrawal capacity of its safety storage.

These alerts were relayed to suppliers by the General Directorate for Energy and Climate which launched on 5 September a public consultation on the conditions of third party access to underground storage. They were also relayed to neighboring countries by the Minister of Energy.

In this context, GRTgaz presented in Concertation Gaz on September 18, 2013 a project for the evolution of exceptional balancing rules on its network for the period from December 2013 to April 2014.

Following this presentation and after taking into account feedback from shippers GRTgaz sent October 14, 2013 to CRE a proposition for the evolution of existing balancing rules on its network for the winter 2013-2014.

GRTgaz proposal is annexed to this public consultation. Interested parties are invited to send their contributions to the CRE, 5 November 2013 at the latest.

2. GRTgaz proposition

For the period 1 December 2013 to 30 April 2014, GRTgaz proposes the implementation, in specific circumstances, of exceptional balancing rules designed to limit the risk of failure of the gas transmission network.

These rules are mainly adapted to have asymmetrical balancing daily tolerances:

- a shipper whose daily gas balance is in deficit¹ on the network would be unable to postpone its negative imbalance (deficit) on the next day. The quantities of gas negatively imbalanced are systematically charged to the shipper at high daily balancing price (called P2 equaling to P1 +30%).
- a shipper whose daily balance is in surplus² retains the ability to keep part of its positive imbalance (surplus) on the next day.

These balancing rules would be triggered exceptionally if GRTgaz was conducted to ensure the physical balancing of the network, of using its safety storage beyond a preset limit. In order to ensure

¹ Outputs of the shipper are higher than inputs on the same day

² Inputs of the shipper are higher than outputs on the same day

transparency in the activation of these exceptional measures, GRTgaz proposes to send, every day, to all of its shippers and the CRE, its level of safety storage. When exceptional rules are triggered, shippers would have a three days notice period before their effective implementation.

In addition, the rules provide the possibility for GRTgaz to intervene in the market to buy gas volumes higher than the usual and under more flexible conditions.

3. Preliminary analysis by CRE

a) Exceptional rules proposed

To give visibility to all market participants, the CRE has defined the path of evolution of balancing rules in France to ensure their progressive compliance with the future European network code on balancing. This code has received a favorable opinion of the Member States October 2, 2013 after the comitology process.

CRE notes that GRTgaz proposal comes late in relation to the implementation date of December 1, 2013, it would indeed change during winter balancing rules defined by CRE in consultation with market participants.

However, GRTgaz proposal fits in the particular context of uncertainty about the ability of the French gas system to cope with an extreme cold peak this winter. It is intended to reduce the risk of failure of the gas transmission network during the 2013-2014 winter season, prompting shippers to be long rather than short in gas in cases of tension on the physical balance of the gas system.

Consequently, CRE, at this stage of its analysis, supports GRTgaz proposal, which is likely to strengthen the security of supply.

b) Activation and return to normal conditions

The conditions that trigger exceptional balancing rules are based on the level of safety storage used by GRTgaz. CRE considers at this stage, it is an objective and transparent criteria for market participants.

In addition, the 3-day notice period prior to the activation of exceptional rules seems appropriate because it gives shippers a sufficient number of days to compensate, if any, negative stock of gas accumulated in their cumulative imbalance account or Ecart de Bilan Cumulé (EBC).

The duration for the application of exceptional rules and procedures to go back to the application of the usual balancing rules are described in detail in GRTgaz proposal. They are based on technical objective and transparent criteria, taking into account the effective recovery of the safety storage.

CRE is, at this stage, favorable to the conditions for triggering exceptional rules and the ones for the return to normal.

c) Economic impact for shippers

Billing imbalances is completely neutral for TSOs regardless to which balancing rules are applied. Amounts relating to all purchases and sales made by the TSO and penalties charged to shippers when they are in excessive imbalance are paid in the balancing account. The surplus of the account is distributed by the TSO to all shippers at the end of each year in proportion to the delivery capabilities they hold. It will on a monthly basis as from January 2014.

The exceptional balancing rules proposed by GRTgaz will penalize shippers which would be in deficit during a gas crisis. CRE is however reserved on a penalty amounting to 30% of P1 (equivalent to the average price of interventions by the TSO) as it applies to each kWh of negative imbalance for shippers. To recall the network code on balancing fixed a marginal price as the most penalizing price between the average price of the TSOs interventions + / - up to 10 % and the most penalizing price of the TSOs interventions to value the shippers imbalance.

d) Additional measures concerning GRTgaz interventions on the market for balancing

CRE is at this stage favorable to the doubling of GRTgaz maximum market interventions as well as easing rules when exceptional rules are triggered. These measures will strengthen GRTgaz means in case of significant imbalance on the network and would give more efficiency to price signals.

Question 1: Do you consider that the GRTgaz proposal is likely to enhance the security of the gas system in case of a cold peak?

Question 2: Do you have any comments on the GRTgaz proposed operational modalities?

Questions 3: Do you have any comments on the GRTgaz proposal

4. Response to the public consultation

CRE asks all parties concerned to submit their contribution, by 5 November 2013 at the latest:

- By email to the following address: dirgaz.cp5@cre.fr ;
 - By submitting their response directly on the CRE website (www.cre.fr), in the section “Documents / Public consultations”,
 - By contacting the Division of Gas Infrastructures and Networks: + 33.1.44.50.42.12.
- Please state in your contribution whether you would like to remain anonymous / have your response treated as confidential. The parties concerned are asked to answer the questions, justifying their responses.

Appendices :

- GRTgaz proposal date 14/10/2013

Links to the documents on the balancing systems currently in force (in English):

- GRTgaz : http://www.grtgaz.com/fileadmin/clients/fournisseurs/acces_contrats/en/Section-D2-PEG-full-Balancing-from-1st-April-2013_v2.pdf