



# **Deliberation of the *Commission de Régulation de l'Énergie* (French Energy Regulatory Commission) of 2 April 2009, to decide on changes to the balancing rules for GRTgaz's gas transmission network**

The following were present at the meeting: Mr Philippe de LADOUCETTE, Chairman, Mr Michel LAPEYRE, Vice-chairman, Mr Maurice MÉDA, Vice-chairman, Mr Jean-Pierre AGHETTI, Mr Eric DYEVRE, Mr Hugues HOURDIN, Mr Pascal LOROT and Mr Emmanuel RODRIGUEZ, Commissioners.

In accordance with the CRE deliberation of 24 April 08, GRTgaz submitted on 16 March 2009, a proposal for CRE approval concerning changes to the balancing rules over its gas transmission network, relating to the share of imbalances invoiced at the market price. This proposal is part of a consultation process with shippers relating to gas transmission networks operated by the TSOs, as requested through a decision of the CRE on 18 September 2008.

## **1. Background**

Balancing rules over the GRTgaz transmission network approved by the CRE on 24 April, 23 October and 26 November 2008 stipulate that:

- for the period from 1 May 2008 to 31 October 2008, the daily balancing price is applied, over each balancing zone of H gas quality and for each shipper, to unbalanced volumes exceeding 55% of the tolerance allowed to the shipper;
- since 1 November 2008, the daily balancing price is again being applied to unbalanced volumes exceeding 70% of the tolerance allowed to the shipper;
- in order to take into account the possible interactions with the GRTgaz Balancing platform and the gas exchange set up by Powernext on 26 November 2008, the size of lots exchanged was increased to 250 MWh on 1 November 2008, in order to be consistent with that of the gas exchange;
- since 1 January 2009, an adjustment to the distribution of tolerances has been introduced in order to better take into account the size of the shippers' portfolio and for the specific situation of GRTgaz's South zone.

## **2. Changes proposed by GRTgaz**

Given the positive feedback from summer 2008, GRTgaz proposes to renew, in summer 2009, the reduction of the threshold from which shippers' imbalances are invoiced at the market price, except for the South zone for which it is desirable that shippers adapt to the new network structure.

*2.1. Share of shippers' daily imbalances invoiced at the daily balancing price in summer 2009 in the North zone, H gas quality*

During summer and in the North H zone, GRTgaz proposes to renew, as was the case in summer 2008, a mid-range level of 55% of the tolerance allowed to the shipper, a threshold beyond which its imbalances are invoiced at the market price. Imbalances below this threshold would be carried over to the cumulative imbalance account.

GRTgaz's justification for this reduction in the minimum level for application of the balancing price is the positive feedback relating to shippers' imbalances registered in summer 2008.

*2.2. Share of shippers' daily imbalances invoiced at the daily balancing price in summer 2009 in the South zone*

Although the feedback on the reduction of the mid-range level in summer 2008 in the South zone is positive, GRTgaz proposes to maintain a mid-range level of 70% of tolerance allowed to the shipper. GRTgaz justifies this, firstly, by the need for an in-depth feedback on the balancing of shippers in the South and, secondly, by the significant impact of the network maintenance planned in summer 2009 over the North-to-South link.

*2.3. Share of shippers' daily imbalances invoiced at the daily balancing price in winter 2009-2010*

As from 1 November 2009, GRTgaz proposes to revert to a mid-range of 70% of the shipper's tolerance in the North zone, H gas quality, and in the South zone.

### **3. CRE observations**

*3.1. Feedback on setting a mid-range of 55% of the daily tolerance in summer 2008 in the North, H gas quality, and South zones*

The application of the market price in summer 2008 to imbalances above the threshold of 55% of each shipper's tolerance helped maintain shippers' exposure to the market price at the same level as that of winter 2007-2008.

In summer 2008 and winter 2007-2008, shippers were exposed to P1 for about 3.5% of gas days in the North zone and for 11% of gas days in the South zone.

The feedback on the functioning of the GRTgaz balancing system is therefore positive. The objectives behind the decision of setting the mid-range at 55% of tolerance in summer 2008 have been achieved.

*3.2. Summary of shipper positions*

The reduction of the mid-range in the North H zone to 55% and its maintenance at 70% in the South zone for summer 2009 have been discussed at the level of the workshop on balancing rules over transmission networks. There was consensus from all shippers regarding GRTgaz's proposal.

*3.3. Analysis of the GRTgaz proposal*

The analysis of shippers' imbalances during the year shows that the balancing requirement is less of a constraint for shippers in summer than in winter and that a threshold of 55% is necessary to maintain the share of imbalances invoiced to shippers at the market price. Indeed, although the quality of allocations tends to decline in summer, forecasting errors in volume are much lower than in winter.

In the North H zone, reducing the summer threshold beyond which imbalances are invoiced at the market price will not increase balancing constraints compared to the winter period.

However, in the South zone, it seems necessary to take into account the new structure of the transmission network since 1 January 2009 and the constraints relating to the network maintenance programme over the North-to-South link in summer 2009. The reduction levels of firm and

interruptible capacities will be significantly higher than those registered in summer 2008. GRTgaz's proposal to maintain a threshold of 70% in the South zone is therefore justified.

Unlike summer 2008, GRTgaz does not propose a transition period of 7 working days, as from 1 May, during which penalties on the excess over the cumulative imbalance account, within the range 5 times 55% to 5 times 70% of the daily tolerance, will be cancelled.

However, the reduction of the mid-range in summer automatically reduces the tolerance of the cumulative imbalance account, which is equal to 5 times the threshold beyond which daily imbalances are exposed to the market price. Given these conditions, the CRE believes that a transition period must be renewed in summer 2009 to enable shippers to adapt to the lower threshold in summer.

#### **4. CRE decision**

CRE approves GRTgaz's proposal regarding changes to the balancing rules, provided that penalties applied, in North H zone, on the excess over the cumulative imbalance account, within the range 5 times 55% to 5 times 70% of the daily tolerance, are cancelled, for 7 working days as from 1 May.

GRTgaz will submit to CRE and to shippers, as part of the consultation process relating to gas transmission networks, an in-depth feedback at the end of the second semester of 2009 on the various changes that have taken place since 1 January 2009.

Signed in Paris, 2 April 2009

For the *Commission de régulation de l'énergie*,

The Chairman,

Philippe de LADOUCKETTE