

Deliberation of the *Commission de régulation de l'énergie* (French Energy Regulatory Commission) on 8 October 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-Paul AGHETTI, Mr. Eric DYEYRE, Mr. Hugues HOURDIN, Mr. Pascal LOROT and Mr. Emmanuel RODRIGUEZ, Commissioners.

In accordance with the 7 December 2006 deliberation of the *Commission de régulation de l'énergie* (CRE), on 6 July 2009, GRTgaz submitted a proposal for CRE approval regarding changes to the balancing rules applicable to its transmission network as from 1 December 2009. This proposal was developed by the *Concertation Gaz* (Gas Consultation) working group.

1. Background

The balancing rules for the GRTgaz transmission network have gradually become a market-based mechanism.

Since 12 April 2007, GRTgaz has relied on the market for procuring a portion of its network's balancing needs. "*Balancing GRTgaz*" managed by Powernext is a dedicated platform which was set up to enable stakeholders to tender gas purchase and sales proposals to GRTgaz. A daily balancing price (P_1) was established on the basis of these transactions and has been used since 1 September 2007 to cash out part of each shipper's imbalances¹.

Following Powernext's launch of an organised gas market in France in November 2008, the *Concertation Gaz* working group's plenary committee decided to include an item on merging the two platforms in its agenda for the first half of 2009 in order to concentrate liquidity and avoid generating multiple reference prices for gas in France.

Consultation therefore consisted in defining the terms of GRTgaz transactions on Powernext Gas and determining the most appropriate reference price to use in cashing out shipper imbalances. GRTgaz subsequently submitted a proposal to CRE concerning changes in transmission network balancing rules applicable as from 1 December 2009.

In preparation for its decision, CRE consulted stakeholders on the GRTgaz proposal from 8 - 24 July 2009.

2. GRTgaz proposal for changes in its network's balancing rules

The balancing rules applicable as from 1 December 2009 resulting from the changes proposed during the consultation are appended to the present decision.

¹ Only imbalances exceeding cumulative imbalance mid-range are cashed out on the basis of the daily balancing price.

a) Key changes regarding terms of GRTgaz transactions on the market

GRTgaz proposes to carry out transactions on "Powernext Gas Spot"² as from 1 December 2009 to cover part of its gas balancing needs.

On the whole, the proposed terms of transaction maintain the existing "Balancing GRTgaz" terms until the target balancing system to be implemented as from 2012 has been determined by the *Concertation Gaz* working group as from autumn 2009.

However, it has been necessary to make certain adjustments:

- In order to benefit from the highest daily level of liquidity recorded on the Powernext Gas exchange, GRTgaz proposes to change the time slots of its transactions as follows:
 - from Monday to Thursday:
 - 3.45 – 4.00 pm for delivery during the day
 - 4.30 – 4.45 pm for delivery on the following day
 - and on Fridays:
 - 3.45 – 4.00 pm for delivery during the day
 - 4.30 – 4.45 pm for delivery on the following Monday or during the weekend.
- Stakeholders will not be able to predict GRTgaz purchase and sales transactions in each zone and these will be limited to a maximum of four during the two daily sessions. At each transaction, it will automatically select the best prices offered by the stakeholders in order to cover its needs.
- To avoid disrupting "Powernext Gas Spot" activity, price limits on offers selected by GRTgaz have been introduced.

The GRTgaz proposal for changes to the balancing rules gives a detailed description of the automatic transaction algorithm established by Powernext for GRTgaz.

b) Cash-out price for shipper imbalances

The principle of a daily balancing price (P_1) resulting from transactions carried out by GRTgaz on the market has been maintained.

If there are no GRTgaz transactions during a given session, the daily balancing price will be established on the basis of the Powernext "End-Of-Day"³ reference price corresponding to this session instead of the "Zeebrugge" price currently in force.


3. Consultation of shippers regarding the GRTgaz proposal

In addition to the consultation carried out by GRTgaz, CRE consulted stakeholders regarding the GRTgaz proposal from 8 – 24 July 2009. Ten stakeholders responded.

The contributors all pronounced themselves in favour of the changes proposed by GRTgaz.

² Marketplace for trading products to be delivered on the current day, the following working day or during the weekend.

³ The End of Day reference price is determined as the volume weighted average of all trade prices during the trading session of GRTgaz.



Most of them asked for feedback in order to assess the appropriateness of changes. They therefore asked for the “Balancing GRTgaz” platform to be made dormant rather than completely closed down until feedback becomes available.

4. Analysis

The result of GRTgaz transactions on “Powernext Gas Spot” will be to increase the number of potential counterparties (21 members on « Powernext Gas Spot » instead of 17 on « Balancing GRTgaz ») and improve the liquidity available for covering its balancing needs. The reliability of the daily balancing price used to cash out shipper imbalances will therefore be improved.

After consulting stakeholders, the terms of transaction proposed by GRTgaz are formulated so as to preclude any excesses in GRTgaz balancing costs.

GRTgaz will collect feedback on these terms which it will forward to CRE. With this in mind, the “Balancing GRTgaz” platform should be in a position to be re-established if necessary.

5. Decision

CRE approves the GRTgaz proposal relative to changes in balancing rules as from 1 December 2009. The “Balancing GRTgaz” platform will be maintained until feedback on the terms of GRTgaz transactions is obtained during the first half of 2010.

Signed in Paris, 8 October 2009,

For the *Commission de régulation de l'énergie*
(French Energy Regulatory Commission)

The Chairman

Philippe de LADoucette