

Deliberation of the French Regulatory Commission (CRE) dated 21 June 2012 on the approval of changes to balancing rules on the GRTgaz and TIGF gas transmission networks

Attending the session: Philippe de LADOUCKETTE, Chairman, Olivier CHALLAN BELVAL, Frédéric GONAND, Jean-Christophe LE DUIGOU and Michel THIOLLIERE, Commissioners.

1. Background

This deliberation is issued as part of the procedure to change the balancing rules on the GRTgaz and TIGF transmission networks in order to implement the target balancing system defined by CRE in its Deliberation dated 1 December 2011, in compliance with the Framework Guideline on balancing published by ACER¹ on 18 October 2011. ENTSO² plans to submit the balancing network code to ACER in November 2012.

The Framework Guideline on balancing provides that, in order to ensure physical balancing on the network, transmission system operators (TSOs) can use the market at any time of the day to purchase gas in the event of a shortfall or sell excess gas on their networks, giving maximum priority to within-day products. Furthermore, shippers' imbalances are entirely settled at the end of each gas day at a price based on the market and representing the tension on TSO networks. At the same time, TSOs must provide each shipper with data on the consumption of their customers during the day, at appropriate intervals, in order to enable them to reduce their volume of gas imbalances.

This Deliberation focuses on:

- GRTgaz's proposal to concentrate its interventions on the Powernext Gas Spot exchange for its balancing requirements on within-day products³, as of August 1st 2012;
- The joint proposal by GrDF, Réseau GDS, Régaz, GRTgaz and TIGF, to implement new procedures enabling TSOs to provide shippers with within-day measures of the consumption of their daily metered customers connected to the GrDF, Régaz and Réseau GDS distribution networks. This system could be implemented as of 2014, given the necessary modifications to information systems.

The proposals to change the GRTgaz and TIGF balancing systems were subject to a public consultation launched by CRE from May 4th to May 24th 2012 and are appended to the present Deliberation.

CRE received fifteen contributions:

- Eleven from shippers;
- Three from associations;
- One from a gas infrastructure operator.

¹ Agency for the Cooperation of Energy Regulators

² European Network of Transmission System Operators for Gas

³ The within-day products stated are products negotiated on the gas exchange for same-day delivery.

2. Transfer of GRTgaz interventions to the existing within-day product slot

2.1. GRTgaz's proposal

GRTgaz proposes to concentrate its purchasing and selling interventions on the exchange, for its balancing requirements, on the within-day product slot. The day-ahead slot would only be used if a high level of tension on the network is forecast for the following day. The maximum intervention volumes proposed for the within-day product slot correspond to the total maximum volumes currently authorised on both the day-ahead and within-day slots, i.e. 7750 MWh/d for the North zone and 5500 MWh/d for the South zone. GRTgaz proposes to implement this change as early as possible as of August 1st 2012.

In general, the concentration of GRTgaz's interventions on the within-day market will result in the P1 imbalance settlement price being calculated solely on the basis of the prices of its within-day interventions. In the event of GRTgaz using the day-ahead market⁴, the share of the within-day price in the calculation of the P1⁵ price will be increased to 79% (74% currently).

2.2. Feedback on the public consultation

A large majority of contributors are in favour of GRTgaz's proposal (fourteen out of the fifteen contributions). Some would like the conditions under which GRTgaz would use the day-ahead slot to be specified.

Four contributors have stressed the risk of decorrelation between GRTgaz's intervention prices and market conditions, given the significant volumes that will be exchanged and the limited liquidity of the within-day market. They propose that GRTgaz should create a second slot on the within-day market earlier in the day to segment GRTgaz's intervention volumes. According to some, the creation of such a slot would also enable shippers to provide the market, and GRTgaz in particular, more flexibility from storages.

Four contributors have requested the replacement of GRTgaz's automatic interventions on the exchange with human interventions, to ensure that the imbalance settlement prices are representative of tensions on the network.

2.3. CRE's analysis

CRE agrees with the observations of the contributors to the public consultation. It believes that the imbalance settlement prices obtained following the implementation of the system must be monitored and GRTgaz must provide regular feedback to the Concertation Gaz working group.

GRTgaz will have to establish the circumstances in which the day-ahead slot would be used.

In addition, CRE notes that GRTgaz was not able to use the market for its balancing requirements on certain days during the cold spell in February 2012, due to the constraints on the price of its within-day interventions⁶. This control is implemented to prevent GRTgaz from being exposed to bids at price levels outside the market. However, CRE believes that the adaptation of this control should be studied to take into account situations of exceptional tension on the network.

In order to achieve the target balancing system and to limit the risks of imbalance settlement price volatility, CRE asks GRTgaz to study:

- The creation of a new slot on the within-day market before the end of 2012;
- The conditions of the shift in 2013 from automatic to human interventions for its purchases and sales related to its balancing needs;
- The adaptation of the constraints on within-day market intervention prices before the end of 2012.

⁴ The day-ahead products stated are products negotiated on the exchange on a given day for delivery the following day.

⁵ The P1 price is calculated as the weighted average of day-ahead (26%) and within-day (74%) prices. The weighting allocated to each of these prices corresponds to the ratio between the maximum intervention volume on the product concerned and the total maximum intervention volumes for these two products.

⁶ CRE Deliberation dated 17 March 2011 deciding on the changes to the balancing rules on the GRTgaz and TIGF gas transmission networks

3. Transmission to shippers of the within-day consumption of their daily metered customers connected to the distribution networks

3.1. Proposal by GrDF, Réseau GDS, Régaz, GRTgaz and TIGF

GrDF, Régaz and Réseau GDS propose to provide GRTgaz and TIGF with data enabling them to notify shippers twice a day of the within-day consumption of their daily metered customers connected to the distribution networks. The system operators state that this system could be implemented in 2014.

The proposed system is as follows, every day the DSOs will provide the TSOs with:

- At 12pm, the measures of their daily metered customers' consumption between 6am and 10am;
- At 4pm, the measures of their daily metered customers' consumption between 6am and 2pm.

The TSOs subsequently send this data onto their shippers, at 1pm and 5 pm respectively.

3.2. Feedback on the public consultation

A large majority of contributors are in favour of the proposals made by the system operators with regard to the provision of data on the consumption of daily metered customers connected to the GrDF, Régaz and Réseau GDS networks (fourteen out of the fifteen contributors).

Moreover, several contributors are in favour of this data being published more frequently. For some, data received earlier in the day would enable them to develop more flexibility. For others, data at the end of the day would ensure optimum balancing over the entire gas day.

Three contributors stress that the data provided by network operators must be reliable.

Some contributors insisted that both TSOs must use the same data transmission methods and formats.

3.3. CRE's analysis

CRE agrees with the observations made by contributors on the necessary reliability of the data transmitted by system operators. Consequently, it plans to incorporate new data transmitted into the scope of the incentive-based regulation of DSO and TSO service quality.

CRE is in favour of standardising the system operators' data formats and technical transmission methods.

4. CRE's decisions

4.1. Approval of the system operators' proposals

CRE approves GRTgaz's proposal to transfer its intervention volumes from the day-ahead slot to the within-day slot.

It also approves the proposals of GRTgaz, TIGF, GrDF, Régaz and Réseau GDS to provide shippers with data on the within-day consumption of their daily metered customers.

4.2. Additional requests

As part of the Concertation Gaz working group, GRTgaz must monitor and provide regular feedback on the imbalance settlement prices observed following the implementation of this system.

In addition, CRE requests that GRTgaz establish the conditions for the use of the day-ahead slot and in particular provide the lead time of notification to shippers for GRTgaz's intervention on this slot.

It also asks GRTgaz to study:

- The implementation of a second within-day market intervention slot, by the end of 2012;
- The conditions of the shift in 2013 from automatic to human interventions for its purchases and sales related to its balancing needs
- The adaptation of the constraints on within-day market intervention prices before the end of 2012.

Furthermore, GRTgaz and TIGF will have to work in partnership with GrDF, Régaz, Réseau GDS and shippers as part of Concertation Gaz to define and implement a data transmission format and method that is identical for both operators.

Executed in Paris, 21 June 2012,

On behalf of the French Energy Regulatory
Commission (CRE),

The Chairman,

Philippe de LADOUCKETTE