

Deliberation of the Regulatory Commission of Energy (CRE) of 10 April 2014 on the draft decision regarding the operating rules for the joint GRTgaz-TIGF marketplace as of 1 April 2015

Present: Philippe de LADOUCETTE, Chairman, Catherine EDWIGE, Olivier CHALLAN BELVAL, and Jean-Pierre SOTURA, auditors.

In accordance with paragraphs 1 and 4 of Article L.134-2 of the French Energy Code, CRE "specifies [...] the rules regarding [...] the missions of natural gas [...] transmission network operators [...]" and "the conditions of use of natural gas [...] transmission networks."

In addition, pursuant to paragraph 4 of Article L.134-3 of the French Energy Code, CRE approves "the technical and financial rules developed by operators to balance natural gas networks [...]."

This deliberation will be submitted to the *Conseil supérieur de l'énergie*.

I. Context

The tariffs for the use of the natural gas transmission networks, known as the ATRT4 tariffs, which entered into force on 1 April 2009, simplified the contractual structure of French transmission networks by reducing the number of balancing zones from five to three: the North and South zones on the GRTgaz network and the TIGF zone connected to the GRTgaz South zone.

Each balancing zone represents a market place, known as a PEG (*Point d'échange de gaz*) enabling shippers to purchase or sell gas in this zone.

The CRE has worked with the two TSOs and in consultation with all market participants since 2009 to reduce the number of French market places. In 2009-2010, GRTgaz and TIGF conducted a joint study which concluded that there was no structural congestion between the two networks.

The CRE continued the work in consultation with all market participants. This led to:

- the decision to create a joint market place (joint PEG) for the GRTgaz South and TIGF balancing zones by 1 April 2015 (deliberation of 13 December 2012¹ on ATRT5 tariffs)
- the objective of creating a single French market place by 2018 after reinforcing the Bourgogne pipeline (deliberation of 19 July 2012).²

CRE requested TIGF and GRTgaz to submit a joint proposal on the operating rules for the joint PEG. The TSOs' proposals were submitted for public consultation between 10 February and 13 March 2014.

II. Summary of proposals submitted for public consultation

¹ [The CRE's deliberation of 13 December 2012 on the tariffs for the use of natural gas transmission networks](#)

² [Deliberation of the CRE of 19 July 2012 on guidelines for the development of gas market places in France](#)

A. Implementation of the "trading region" model

GRTgaz and TIGF propose to create a "trading region" system. This system, defined by the European target model³, would create a joint market place for several balancing zones, in compliance with TIGF's request.

GRTgaz and TIGF propose to break down this model as follows:

- one "trading region" (or Great South zone) including the joint PEG and all existing interconnection points (PIR⁴, PITS⁵, PITTM⁶) for each TIGF and GRTgaz balancing zone
- two consumer zones, TIGF and GRTgaz South, linked to the "trading region". These consumer zones would group all the end-user delivery points in the TIGF or GRTgaz South balancing zones

The implementation of the "trading region" model requires information to be exchanged between the two carriers and the joint management of certain functions of one or the other of the two operators.

B. Operating rules for the joint PEG

Transactions on the joint PEG are firm and exchanged gas may be delivered at all points connected to the "trading region": interconnections and consumer zones.

GRTgaz will operate the joint PEG and shippers will notify GRTgaz of the quantities exchanged at the joint PEG.

TSOs have not finalised their proposals on PEG access contractual structure and invoicing methods.

C. Transmission management

1. Capacity subscription and use

GRTgaz South - TIGF capacities are no longer sold.

Aside from this development, capacity and nomination marketing procedures remain unchanged for both the GRTgaz South and TIGF zones.

2. Contractual and physical management of balancing

GRTgaz and TIGF propose two options of the "trading region" system for the contractual and physical management of balancing.

a) Option 1

In this option, notional consumption points would be created at the interface between the "trading region" and consumption zones. Nominations on notional consumption points would be mandatory and binding. They would be used to calculate and invoice each shipper two types of contractual imbalance, a scheduling imbalance that does not currently exist and a consumption imbalance, for each balancing zone.

TSOs would use shipper nominations, including notional consumption points, to determine the physical flows between GRTgaz and TIGF zones, as is currently the case.

To avoid excessive flow variations between the GRTgaz South and TIGF zones, the TSOs propose to limit shipper re-nominations on notional consumption points.

b) Option 2

In this option 2, nominations related to consumption points would not be made on notional points but globally on consumption zones as is currently the case. These nominations would not be binding as allocations are based on measurements.

The total contractual imbalance of each shipper would be calculated across the entire "trading region".

³ [CEER Vision for a European Gas Target](#)

⁴ Network interconnection point

⁵ Transport storage interface point

⁶ LNG terminal transmission interface

For each shipper, the TSOs propose to distribute the total imbalance over the two balancing zones using:

- either a 50/50 key if the balancing rules are the same for both balancing zones
- or a specific key for each shipper according to total allocations at the exit points (delivery points, PIR, PITS) of each balancing zone if the balancing rules are different in each balancing zone.

In this option, the physical flows between the two zones would be determined by GRTgaz and TIGF on the basis of shipper nominations on interconnection points and their own consumption forecasts for their respective zones.

3. Management of congestion between the GRTgaz and TIGF networks

a) TSO proposals

GRTgaz and TIGF propose that physical capacity on the interconnection between the two zones should be limited in case of congestion or work on GRTgaz South and TIGF zone entry and / or exit points.

The TSOs have not finalised their proposals on congestion management and are conducting further studies.

b) CRE proposals

CRE proposes that the distribution of these limitations takes into account the direction of the gas flow at the GRTgaz and TIGF interface, as is currently the case:

- if the flow is in the GRTgaz - TIGF direction, capacity limitations would be applied on the TIGF zone (Spain interconnections, South-west PITS)
- if the flow is in the TIGF - GRTgaz South direction, capacity limitation would be applied on the GRTgaz South zone (South - North link, South Atlantic and South East PITS)

III. Summary of responses to the Public Consultation

The CRE received 23 contributions:

- 16 were from shippers or shipper associations: ExxonMobil, Gas Natural Europe, Total Gas and Power (*confidential*), Alpiq, Wingas (*confidential*), Antargaz, Tégaz, (*confidential*), GDF SUEZ SA, EDF, Eni, Gaz de Bordeaux (*confidential*), Statoil, Gazprom, Direct Energie, EFET, Afieg
- 2 were from associations: AFG, UPRIGAZ
- 5 were from infrastructure operators: GRTgaz, Storengy, TIGF, GDF Suez BI, and Enagas

Non-confidential contributions will be posted on the CRE's website along with this deliberation.

A. Operating rules for the joint PEG

All contributors are favourable to the management rules for the joint PEG proposed by the TSOs. A majority of participants noted that these rules are identical to those in force at the North PEG.

Some participants pointed out that the rules defined will allow the goal of increasing liquidity in the South of France to be achieved.

Several participants are in favour of GRTgaz managing the joint PEG.

B. Contractual and physical management of balancing

1. Choice between the two options

All shippers except one are in favour of option 2 which simplifies balancing management and limits the financial risk for shippers in relation to the current situation and option 1.

Most participants noted that option 2 allows shippers to accumulate imbalances between GRTgaz South and TIGF zones.

2. Imbalance distribution key in option 2

All shippers except one are in favour of an individual distribution key for each shipper to distribute daily imbalances between the two balancing zones.

Participants are divided on the idea of an individual key and requested that this be dealt with in a Concertation Gaz.

Overall, contributors considered that the distribution key was a minor issue compared to the convergence of balancing rules between the GRTgaz South and TIGF zones which they deem necessary by 1 April 2015.

TSOs would like the key retained to distribute shipper contractual imbalances to be calculated using the same criteria as those used to determine the physical flow between their two zones.

3. Nominations on consumption points in option 2

The majority of contributors consider it pointless to ask shippers to nominate on consumption points as TSOs do not use these nominations to calculate the physical flow between the two zones but their own consumption forecasts.

However, several of them are not opposed to the obligation to nominate on these points being maintained if the TSOs consider this information to be useful.

TSOs are in favour of maintaining these nominations which allow them to send each shipper its scheduling imbalance and identify those with a very high scheduling imbalance.

C. Management of congestion between the GRTgaz and TIGF networks

A majority of participants support the principles of congestion management proposed by the CRE. However, some prefer to wait for the results of the studies conducted by the TSOs and that they are presented as part of the Concertation Gaz.

One participant is against these principles to the extent that storage is a flexibility tool that should not be affected by capacity limitations. Another participant is concerned that these principles would result in the Pirineos NIP being affected the most by capacity limitations, given the dominant flow direction.

One contributor suggested that capacity limitations should be applied to the sum of exits from interconnections and storage, leaving shippers the choice to distribute the limitations between the two uses.

IV. CRE analysis

A. Operating rules for the joint PEG

CRE believes that the TSOs' proposal will allow a single PEG to be implemented in the south of France by 1 April 2015 with the same level of service that the North PEG. Transactions on the PEG will therefore be firm and may be made with any participant on the PEG, whatever the origin or destination of the gas.

Therefore, CRE considers that the operating procedures proposed by the TSOs for the joint PEG are satisfactory.

Contributors to the public consultation indicated that having a single contact is likely to facilitate access to the joint PEG. Consequently, CRE is favourable to GRTgaz being responsible for the PEG's management. The distribution of the PEG's revenue between the two TSOs will be decided by the CRE in the context of the tariff update on 1 April 2015. GRTgaz and TIGF must submit a proposal for a key to the CRE by September 2014.

B. Contractual and physical management of balancing

1. Choice between the two variants

The CRE noted that its analysis in favour of option 2 presented in the public consultation is shared by almost all shippers. This option simplifies balancing management compared to option 1 and current rules.

Therefore, the CRE has retained option 2.

2. Imbalance distribution key in option 2

CRE noted that its analysis in favour of an individual key presented in the public consultation is shared by almost all shippers. The individual distribution key reflects each shipper's portfolio on both zones which, in particular, allows shippers to avoid signing a contract with a TSO if it is not active on its network.

CRE has therefore retained the principle of an individual key for each shipper.

However, participants are not unanimous about the criteria to use to calculate the individual key. As the TSOs have indicated that these parameters need to be determined quickly because of the time required to develop information systems, the CRE wishes to set them forth in this deliberation.

Consumption, which is subject to the vagaries of forecasting unlike storage and interconnection points, is the main source of imbalance. As such, it seems appropriate to retain this parameter.

However, shippers those are only transiting or that are only active on the PEG can be imbalanced even if there is no consumption in their portfolio. Therefore, there should be special treatment for these cases.

To account for these different categories of shippers, CRE has retained the following rules:

- pro rata distribution of allocations on delivery points if the shipper has delivery capacities in the GRTgaz South or TIGF zones
- pro rata distribution of allocation on entry and exit points (PIR, PITS, PITTM) if the shipper has bought capacity from one of the TSOs but does not have any delivery capacities
- allocation of the entire imbalance on the GRTgaz network if the shipper only conducts transactions on the PEG.

Given the lack of consensus on this issue, the TSOs should provide for the possibility to modify this key in the information system based on feedback.

To calculate the contractual imbalances of each shipper, the TSOs will only exchange information aggregated by the shipper for its balancing zone.

3. Nominations on consumption points in option 2

TSOs have indicated that these nominations help keep the shippers informed about their imbalances and shippers overwhelmingly responded that they were willing to continue nominating. CRE is therefore favourable to maintaining them.

4. Harmonization of balancing rules

The balancing rules which will apply from 1 April 2015, including the possibility of maintaining tolerances and the JTS (joint transport storage), will be the subject of another decision in the second half of 2014.

CRE has asked GRTgaz and TIGF to make a few proposals on these rules before 30 September 2014.

C. Management of congestion between the GRTgaz and TIGF networks

The CRE noted that its proposal to apply limitations on exit points, excluding consumption points, on the zones upstream and downstream of the congestion is shared by the majority of shippers. It also considers that congestion management rules, including those related to maintenance work, should not reduce availability on the North-South link. Similarly, in the case of south to north flows, capacity limitations should not affect the interconnection with Spain.

Therefore, the CRE has retained the principle of limitations on exit points, excluding consumption points, on the zone downstream of the congestion. Limitations may be applied to points of the zone upstream of the congestion in certain special cases which must be specified by the TSOs.

In addition, the CRE supports the proposal made by one of the contributors to allow each shipper to choose how limitations between interconnections and storage should be distributed as it offers more flexibility for shippers. This proposal will be examined by the TSOs and presented in the Concertation Gaz.

The TSOs must finalise their proposals on congestion management procedures before 30 June 2014 as the deadline for the implementation of the joint PEG is 1 April 2015.

V. CRE requirements

The CRE requests that work is continued on the management rules for congestion between GRTgaz South and TIGF zone as part of the Concertation Gaz. The TSOs must apply the following principles:

- if the flow is in the GRTgaz - TIGF direction, capacity limitations should be applied on the TIGF zone (Spain interconnections, South-west PITS) except in special circumstances related to technical reasons which must be justified by the TSOs.
- if the flow is in the TIGF - GRTgaz South direction, capacity limitation should be applied on the GRTgaz South zone (South - North link, South Atlantic and South East PITs) except in special circumstances related to technical reasons which must be justified by the TSOs.

The TSOs should submit their proposals on congestion management to the CRE before 30 June 2014 along with their proposal on PEG access contractual structure and exchange invoicing.

The TSOs should submit proposals on the following issues to the CRE before 30 September 2014, after presenting them in the Concertation Gaz:

- balancing rules which should be applicable from 1 April 2015, including maintaining tolerances and JTS
- PEG revenue distribution key.

VI. CRE decision

GRTgaz and TIGF will implement a joint PEG on 1 April 2015 based on the following principles:

A. Operating rules for the joint PEG

Transactions on the joint PEG will be firm and exchanged gas may be delivered at all points connected to the "*trading region*" (interconnections and consumer zones).

These transactions will be nominated to GRTgaz.

B. Contractual management of balancing

CRE approves the proposal to implement the contractual and physical balancing management rules presented in option 2, including:

1. Nominations on consumption points

CRE approves the proposal submitted by the TSOs regarding nominations. Nominations on consumption points will continue to only have an indicative value.

2. Imbalance distribution key

CRE approves the method to calculate shipper contractual imbalances. The total imbalance of each shipper will be calculated across the entire "*trading region*".

CRE approves the principle of an individual contractual imbalance distribution key for each shipper subject to this being calculated in the following manner:

- pro rata to allocations on delivery points if the shipper has delivery capacity in the GRTgaz South or TIGF zones
- pro rata of allocation on entry and exit points (PIR, PITS, PITTM) if the shipper has bought capacities from one of the TSOs
- by locating the entire imbalance on the GRTgaz network if the shipper only conducts transactions on the PEG.

This distribution key should be configurable and should be able to be modified, after sufficient feedback is received, following a proposal submitted to the CRE by the TSOs.

Paris, 10 April 2014

For the Energy Regulatory Commission,
The Chairman,

Philippe de LADOUCETTE