

French Energy Regulatory Commission (CRE) public consultation of 19 July 2012 regarding the evolution of GRTgaz's balancing rules

This public consultation deals with how the natural gas transmission system balancing rules are evolving towards the target balancing system as set out by the French Energy Regulatory Commission (CRE) in its deliberation of 1 December 2011 in accordance with the ACER¹ balancing framework guidelines adopted on 11 October 2011. On 4 November 2011, the European Commission invited ENTSO² to set out these framework guidelines in a network code, of which it may propose, by means of the comitology procedure, adoption as an annex to Regulation (EC) no. 715/2009 of 13 July 2009. ENTSO² intends to submit the network code regarding balancing to ACER in November 2012.

The aim of this public consultation is to canvass the opinions of market players with regard to GRTgaz's proposal regarding progress on 1 October 2012 with its balancing system, affecting:

- the mid-range level of the daily cumulative imbalance that shall be applied from 1 October 2012 to 21 March 2013,
- GRTgaz's maximum intervention volume on the market to cover its balancing requirements as of 1 October 2012.

The CRE intends to consult with all market players in order to prepare its deliberation on GRTgaz's proposal envisaged for mid-September 2012. Interested parties are invited to answer the questions set out below before 4 September 2012.

Furthermore, GRTgaz and TIGF presented within the "Concertation Gaz" their proposition of evolution of balancing rules on their network for the three following years. These propositions will be consulted on during the 2nd Semester of 2012.

1. Mid-range level of daily cumulative imbalances applicable between 1 October 2012 and 31 March 2013

1.1. GRTgaz's proposal

The summer mid-range levels of daily cumulative imbalances are as follow since 1 May 2012:

- zone North H: 20% of the daily tolerance offered by GRTgaz,
- zone North B and South: 35% of the daily tolerance offered by GRTgaz,

For the period going from 1 October to 31 April the Winter mid-ranges applicable to all zones together were settled at 40% of the daily tolerance offered by GRTgaz.

GRTgaz calculates per day, balancing zone and shippers present on his network, the volume of daily imbalance:

¹ Agency for the Cooperation of Energy Regulators.

² European System of Transmission System Operators for Gas.

- part of the daily imbalance of every shipper above the mid-range billed at the end of the gas day at the daily balancing price (called P1 price). This price is subject to an uplift of 30% for the part of the imbalance above the daily tolerance (called P2 price)
- the daily imbalance of shippers situated under the mid-ranges can be cumulated in a Cumulative Imbalance Account (EBC) up to 5 times the mid-range levels stated above. Above this limit, the volumes are subject to a penalty (called P3) equalling 20% of the daily imbalance price P1 mentioned above.

GRTgaz is proposing, as of 1 October 2012, to reduce the mid-ranges level of daily imbalances in the winter period to their actual summer level, i.e. 20% in zone Nord H and 35% in zones Nord B and South.

They propose to reduce the reference price P3 as of 1 October 2012 by lowering it to 10% of reference price P1.

Finally, as of 1 October 2012, GRTgaz will publish an hourly end-of-day imbalance indicator of the provisional state of network as well as consumption forecasts by zone and category of customer.

1.2. CRE preliminary analysis

ACER's framework guidelines of 11 October 2011 and the provisional version of ENTSOG's balancing network code set out that all stated imbalances shall be billed at every day at end of day. Only daily balancing tolerances may be maintained for a transitional period that may last up to 5 years.

The CRE confirms that the reduction in mid-range levels is in line with European guidelines. They intend to progressively reduce the mid-range levels until the disappearance of the possibility of cumulative daily imbalances as expected in October 2014.

This reduction in levels will result in strengthening the financial initiative for shippers to minimise their imbalances.

With regard to the quality of information given by GRTgaz to shippers using its system, the quality of intra-day readings for industry connected to GRTgaz's transmission system has increased significantly from around 70% to 90% compliance since January 2011. The financial incentive attached to this indicator introduced since 1 April 2012 should allow the quality of this information to be improved even more. The equivalent indicator regarding the daily metering for industry has remained stable since June 2011 at a level higher than 98% of faithful readings.

The reduction of the P3 penalty price to 10% of P1, as well as the publication by GRTgaz of new information, will also allow shippers to move to a more binding mid-range level.

At this stage, taking these elements into account, the CRE is in favour of GRTgaz's proposal to lower the winter range and the P3 price.

Question 1: Are you in favour of GRTgaz's proposal to lower the winter range and the P3 price from 1 October 2012 to 31 March 2013?

2. Progress of GRTgaz's intervention volumes on the market to cover its balancing requirements

2.1. GRTgaz's proposal

In application of the latest resolution of the CRE of 21 June 2012 approving the development of balancing rules on gas transmission systems, the GRT shall intervene as of 1 August 2012 as a priority in the market with regard to intra-day and weekend products for its balancing requirements.

The following intervention volumes will enter into force on 1 August 2012 in GRTgaz's balancing zones:

Balancing zone	Intervention volume during sessions:		
	Day ahead session ³ optional	Within day ⁴ session(s)	Weekend session
Zone North	0 as base, intervention up to 2,000 MWh/d in cases of high expected imbalance	from 0 to 7,750 MWh/d	from 0 to 2,000 MWh/d
Zone South	0 as base, intervention up to 1,500 MWh/d in cases of high expected imbalance	from 0 to 5,500 MWh/d	from 0 to 1,500 MWh/d

GRTgaz is proposing that as of 1 October 2012 its interventions in the market will be directly linked to the end-of-day imbalance indicator published on *Smart GRTgaz*.

GRTgaz would intervene with sales or purchases if the indicator foresees a system:

- balanced, for a volume of 500 MWh/d;
- short/long, for a maximum volume equivalent to the intervention ceiling for the zone;
- very short/very long for a maximum volume equivalent to twice the ceiling for the zone.

2.2. CRE preliminary analysis

GRTgaz's proposal allows it to ensure greater coherence between its interventions in the market and its real requirements in terms of its network balancing. However, as of yet GRTgaz has not indicated its criteria for deciding the state of the system: short/long or very short/very long balanced.

This proposal will lead to it increasing its intervention volumes with regard to balancing in case of high demand on its system (up to 15,500 MWh/d in zone North and 11,000 MWh/d in zone South) which will help to increase liquidity of the intra-day market.

Furthermore, in its resolution of 21 June 2012, the CRE asked GRTgaz to consider implementing a second intervention window in the intra-day market before the end of 2012. This development would allow GRTgaz's intervention volumes to be spread out.

At this stage, CRE is in favour of the spirit of GRTgaz's proposal subject to GRTgaz enabling a better coherence between the volumes of intervention on the market exchange and the end-of-day imbalance indicator of the network. On the other hand unfavourable to its proposition concerning the 500 MWh/d intervention volume in case of an "equilibrated" state of the network. Indeed this low volume it would be a real nuisance to the liquidity of the within-day market. For example : on the basis of the 2011 and 2012 data of the North zone, GRTgaz would have intervened at this volume 43% of the time in the summer and 24% of the time in the winter.

Furthermore, the network state generates different constraints for the operator according to the zone and the season. In light of this, CRE considers the definition of different intervention volumes and limits defining the state of the network for each balancing zone and season, should be studied within the "Concertation Gaz".

³ Day before for delivery the next day

⁴ Intra-day

Question 2: Are you in favour of GRTgaz's proposals regarding the development of its intervention volumes as of 1 October 2012?

Question 3: Do you have any other comments regarding the evolution of balancing rules ?

3. Response to the public consultation

The CRE asks interested parties to submit their comments no later than 04 September 2012:

- by mail sent to the following address: dirgaz.cp5@cre.fr;
- by contributing directly to the CRE website (www.cre.fr), under "Documents / Consultations publiques (*public consultations*)" ;
- by writing to: 15, rue Pasquier - F-75379 Paris Cedex 08, France;
- by contacting the Directorate for gas infrastructures and systems: + 33.1.44.50.42.12.

A summary of the contributions will be published by the CRE, respecting the rules of confidentiality as protected by law).

Please indicate in your response if you would like your information to remain **confidential and/or anonymous**. Interested parties are invited to answer the following questions, justifying their answers if possible.

Links to online documents on current balancing systems:

GRTgaz : <http://www.grtgaz.com/fr/accueil/acheminement/equilibrage/>