

CRE deliberation concerning balancing regime developments for the natural gas transmission network in France

Context :

GRTgaz has presented a project of progressive changeover to a new market-based balancing system, according to the following principles:

- quantities of gas required to ensure transmission network balancing are purchased from or sold on the daily and intra-day market by transmission system operators (TSOs) ;
- a daily gas balancing price reflecting actual costs borne by every TSO is defined according to these purchases and sales ;
- every day, each shipper's residual position after use of the available flexibility and tolerance , is cleared off by transactions at the daily balancing gas price, under terms encouraging shippers to minimise their imbalance.

In order to incorporate current development of the French market, which still has low liquidity, GRTgaz proposes to progressively develop the volume of its market transactions. In order to do so, GRTgaz is planning to go ahead in two steps :

- an experimental phase for certain principles of the new balancing regime, between July and December 2006, within the framework of current balancing rules;
- a transition phase between the current and target regimes, between 2007 and 2009, within the framework of new balancing rules drawn up or approved by CRE.

During the experimental phase, between July and December 2006, GRTgaz intends to start carrying out daily market transactions, without amending the unit price of imbalances invoiced to shippers. GRTgaz also wishes to propose an optional service of extension of daily imbalance tolerance, as from July 2006, to replace the daily balancing service (SEJ) provided by the storage facility operator.

However, TIGF believes that conditions for changing over to a market-based system in the south-west zone have not yet been fulfilled. Aiming to contribute to increased exchanges through better visibility for shippers, TIGF is willing to study publication of further information for the market.

Public consultation carried out by CRE :

Within this context, from 4 May to 6 June 2006, CRE organised a public consultation concerning balancing regime developments, a summary of which is now published.

The majority of market players are in favour of setting up a market-based regime. They would like to eventually see identical balancing regimes for the two French TSOs, even if the pace and methods of changing over to the target system differ.

Most contributors are in favour of the principle of progressive changeover proposed by GRTgaz. The methods for changeover proposed by GRTgaz are considered as a basis for discussion to be improved and supplemented within the framework of real consultation of market players.

Most contributors are in favour of the experimental phase between July and December 2006 proposed by GRTgaz but are against suppression of the SEJ as from 1 July 2006.

Finally, , all contributors would like to see TSO's prime focus be on reliability of provisional allocations made on D+1 and on improvement of information provided to market players concerning system operations.

CRE's decision :

In view of the public consultation results, and after holding additional hearings in order to collect the opinion of the concerned market players, CRE considers that the balancing regime in France should be changed over to a mechanism based on market rules and such development is in compliance with ERGEG guidelines.

However, the development status of the French gas market does not currently enable a balancing system to be entirely based on market rules and it is therefore desirable to change over progressively.

CRE is in favour of the principle of suppression of the SEJ proposed by storage facility operators and grouping balancing tools in the TSO offer proposed to shippers.

On the other hand, given the opinions expressed by market players, the GRTgaz experimental phase of the new balancing regime as from 1 July 2006 would be premature in the absence of prior discussions with market players.

1. Under these terms, CRE requests that GRTgaz:

1.1. As from July 2006, initiate discussions with market players in order to define new balancing rules. These rules, which should be submitted to CRE in November 2006, will incorporate the following deadlines :

- setting up on 1 January 2007 of a new offer proposed by GRTgaz as a replacement for the SEJ provided by Gaz de France Large-scale Infrastructures Division ;
- application as from 1 July 2007 of a new market-based balancing regime which would progressively change over to the target balancing regime, under terms to be defined within the framework of discussions with market players.

1.2. As from 1 July 2006, publish a minimum of the following items of information on a daily basis :

- total daily consumption of each balancing zone for D-1 ;
- daily quantities transiting at each interconnection point on the GRTgaz network for D-1 ;
- daily quantities exchanged at each gas exchange point (PEG) for D-1 ;
- total forecasted daily consumption calculated by GRTgaz for each balancing zone, for days D and D+1.

At the same time, CRE requests that Gaz de France Large-scale Infrastructures Division keep the SEJ in its offer of third-party access to storage facilities until 1 January 2007.

2. CRE requests that TIGF:

- 2.2. as from July 2006, initiate discussions with market players in order to define methods for changing over the balancing regime in the south-west zone to a target market-based system. TIGF would report to CRE in November 2006 on the initial results of these discussions ;
- 2.3. publish, by 1 January 2007, information on transits for D-1 which is to be published by GRTgaz as from 1 July 2006, and, by the end of September 2006, propose a date to CRE for the provision of information forecasted for days D and D+1 on a daily basis.

3. CRE requests that both TSOs:

- 3.2. ensure proper coordination of their work on balancing system development;
- 3.3. promptly define and implement action plans together with DSOs to improve reliability of provisional allocations made on D+1. The TSOs will submit these action plans to CRE by the end of September 2006.

Paris, 21 June 2006

On behalf of the Commission de régulation de l'énergie,

The Chairman,

Philippe de LADOUCETTE