

Deliberation of the French Energy Regulatory Commission (*Commission de Régulation de l'Énergie – CRE*) on 26 November 2008, to decide on changes to the balancing rules for GRTgaz's gas transmission network

The following were present at the meeting: Philippe de Ladoucette, Chairman; Maurice Meda and Michel Lapeyre, Vice-Chairmen; Jean-Paul Aghetti, Pascal Lorot and Emmanuel Rodriguez, Commissioners.

As required by the deliberation of the Energy Regulatory Commission (CRE) on 7 December 2006, GRTgaz submitted a proposal for CRE approval on 31 October 2008, regarding changes to the balancing rules for its gas transmission network to apply from 1 January 2009.

I. Background

In the context of the new tariff for using the natural-gas transmission networks that will take effect from 1 January 2009, and following its consultation process with the shippers, GRTgaz is proposing to the CRE changes to the balancing rules that will apply from 1 January 2009.

From 1 January 2009, the requirement to nominate shippers at the link between the new North zone and the South zone will remove the mechanism for sharing imbalances between balancing zones. The statement justifying the usage tariff for the transmission networks coming into force on 1 January 2009 indicates that this change must be accompanied by measures that facilitate balancing for shippers in the South zone.

To arrive at its decision, the CRE consulted the shippers between 7 and 14 November 2008.

II. Changes to the balancing rules proposed by GRTgaz for its network

a) Changes to the distribution of balancing tolerances

Under the current balancing rules, the daily tolerance for each shipper comprises:

- the standard daily tolerance. For each balancing zone, this is equal to:
 - $\pm 20\%$ of the subscribed delivery capacity, up to 1 GWh/j of subscribed capacity
 - $\pm 5\%$ of the subscribed delivery capacity above that value
- the optional daily tolerance, which may reach up to 3% of subscribed delivery capacity for each balancing zone.

GRTgaz appointed external consultants to review shippers' tolerance requirements. The results of the review were presented to and discussed with shippers during the balancing consultation process. In this context, GRTgaz is proposing an adjustment to the way tolerances are distributed that takes into account the constraints associated with:

- the size of the shipper's portfolio;
- the balancing zone.

The new standard daily tolerances, as a percentage of the subscribed delivery capacity, that will apply from 1 January 2009, could be as follows:

| Zones | Thresholds for subscribed delivery capacities | | | | |
|--|---|-------------------------|-----------------------|------------------------|----------------|
| | Up to 0.5 GWh/j | Between 0.5 and 1 GWh/j | Between 1 and 2 GWh/j | Between 2 and 50 GWh/j | Above 50 GWh/j |
| Standard daily tolerances up to 31 December 2008 | | | | | |
| All zones | +/- 20% | +/- 20% | +/- 5% | +/- 5% | +/- 5% |
| Standard daily tolerances at 1 January 2009 | | | | | |
| North zone B | +/- 30% | +/- 20% | +/- 5% | +/- 5% | +/- 5% |
| North zone H | | | +/- 20% | | +/- 4.5% |
| South zone | | | +/- 5.5% | +/- 5% | |

The tolerance level and the boundaries for the subscribed-capacity thresholds may be configured in the GRTgaz information system, so that changes may be made later if necessary.

The optional daily tolerance system remains the same.

b) Arrangement to facilitate the removal of the mechanism for distributing imbalances between balancing zones

After consulting the users of its network, GRTgaz is proposing to implement from 1 January 2009 for a period of six months an arrangement to mitigate the impact of removing the mechanism for sharing shippers' daily imbalances between balancing zones.

This arrangement enables each shipper to invoice at an unpenalized market price the daily imbalance recorded above the tolerance for the South zone, if that shipper's accumulated imbalances in the North H and South zones are below the overall tolerance.

GRTgaz is proposing to apply this measure to each shipper and each month for the five days for which the imbalances are the largest in terms of volume.

III. Consultation with shippers on the GRTgaz proposal

In addition to the consultation carried out by GRTgaz, the CRE consulted shippers on GRTgaz's proposal between 7 and 14 November 2008. Seven shippers responded to the invitation to comment.

a) Shippers' views on the change to the way balancing tolerances are distributed

All contributors are in favour of changing the way balancing tolerances are distributed, to reflect portfolio size and balancing zone.

Three of them would like a greater increase in tolerance in the North and South zones for those with small portfolios, to compensate fully for the loss of tolerance resulting from the merger of the East, West and North zones. They also think it unsatisfactory that for the largest portfolios, the reduction in tolerance is not greater in the North, and that no decrease in the tolerance for large shippers is planned for the South.

Another shipper asked that the reduced tolerance in the North zone be applied after 2 GWh/j of subscribed daily capacity, so that it matched the increase in tolerance applied to the South zone. This stakeholder also requested that the implementation of the new method of distributing tolerances be delayed until April 2009, so that its forecasting system could be made more reliable.

b) Shippers' views on the arrangement to facilitate the removal of the mechanism for sharing imbalances between balancing zones

All the contributors were in favour of implementing this arrangement.

Nevertheless, some shippers expressed reservations over the time for which the arrangement would continue. They are asking for the measure to be applied until the end of 2009, and consider that it should only be discontinued on condition that:

- the quality of the measurements of infra-day quantities at consumer delivery points connected to the transmission network improves;
- the quality of the allocation of gas quantities at the interface points between transmission and distribution improves;
- the k coefficients are systematically forecast.

One stakeholder would like this measure to be applied each month for the ten days for which the imbalances are the largest in terms of volume.

IV. Analysis

a) Changes to the distribution of balancing tolerances

The spread of tolerances among shippers proposed by GRTgaz takes into account the modest size of the newcomers' portfolios and the special features of the South zone.

Based on an analysis of shipper behaviour in the past, the tolerance levels proposed by GRTgaz appear to be suited to the requirements of each shipper for each balancing zone.

In addition, this change to the way balancing tolerances are distributed means that the overall tolerance proposed by GRTgaz is not increased, and thus that the costs borne by GRTgaz in balancing its transmission network are maintained at the level of costs covered by the transportation tariff in force from 1 January 2009.

Since the tolerance level may always be configured in GRTgaz's information system, it will be possible to change it in the future, if necessary, based on the analyses that form part of the transmission consultation.

b) Arrangement to facilitate the removal of the mechanism for sharing imbalances between balancing zones

When the new tariff for transmission networks takes effect on 1 January 2009, shippers will require a mitigating arrangement.

The arrangement proposed by GRTgaz reduces significantly the risk that shippers will suffer balancing penalties.

The concession of five days per month appears adequate in the light of historical data on shipper penalties.

Some feedback will be necessary to understand the impact that the change to the transmission structure from 1 January 2009 has on balancing by shippers.

V. Decision

The CRE approves the distribution of tolerances proposed by GRTgaz for application from 1 January 2009.

It also approves the temporary arrangement to facilitate the removal of the mechanism for sharing imbalances between balancing zones, which will apply for a period of twelve months from 1 January 2009.

The CRE asks GRTgaz to present feedback from these changes during the second half of 2009.

The CRE also asks GRTgaz, to continue its work in 2009 within the consultation body for transportation over gas-transmission networks, paying particular attention to the following important topics:

- the evolution of the structure of the transmission network as a whole in France;
- the impact of gas combined-cycle operation on network balancing;
- the gradual move towards market balancing and the definition of the target balancing system.

Signed in Paris on 26 November 2008

For the Energy Regulation Commission,
The Chairman,

Philippe de Ladoucette