Le cœur de vos énergies

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Flow commitment

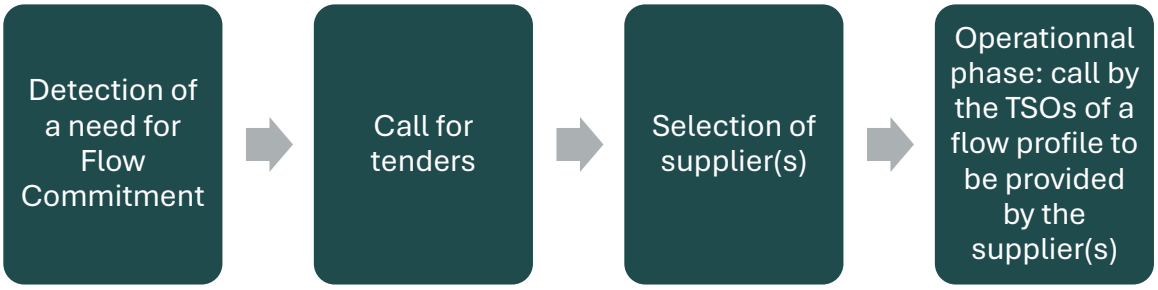
By creating the TRF market area, several mechanisms to manage residual network limits were put in place. These are mainly based on the flexibility offered by the storages. But what happens if projected stock levels for the end of winter are insufficient to ensure the proper functioning of the TRF mechanisms?

Principle

In order to anticipate a possible gas deficit in the storage facilities downstream the limits, a continuous monitoring of the stock levels is carried out, as well as a simulation of the minimum requirements of gas stored downstream of each limit for the TRF normal functions. This simulation is carried out continuously by the TSOs (NaTran and Teréga) throughout the winter according to scenarios taking into account:

- - Consumption scenarios based on short-term weather forecasts and cold scenarios beyond,
- - LNG inputs based on the short-term program of terminals and on a conservative scenario beyond,
- - Use of PIRs and storages to balance the system with the above assumptions.

When the monitoring of the storage level indicates a potential future deficit, the TSOs may jointly purchase, via a call for tenders, a Flow Commitment service. The service consists in transmitting on the network, from the points (excluding storage) located downstream of the anticipated limits, a certain amount of gas according to a certain profile called daily by the TSOs to cover the needs. Delivery can also be achieved by reduction at an exit point. The duration of the Flow Commitment service can be 7 or 14 days.
TSOs do not purchase gas from the Flow Commitment supplier(s) at any time. The service consists of nominating input volumes according to the needs of the TSOs.



Activation criteria

Identifying a potential gas deficit does not automatically trigger a call to Flow Commitment. In fact, the scenarios used are conservative and are projected on horizons on which there are many uncertainties. It is therefore not certain that a Flow Commitment is necessary.
This is why, in accordance with CRE's deliberation of July, 24th 2018 relating about the single gas market zone in France, there are triggers depending on the expiry date and the necessary volume:

Cela permet d'attendre que les scénarios s'affinent lorsque le besoin identifié est relativement bas et pourra être contracté sans risque avec un préavis plus court.This allows the scenarios to be refined when the identified need is relatively low and can be safely contracted with shorter notice.
TSOs may suspend or cancel the call at any time during the bidding period if there is no more need after recalculation of the scenarios.

Tender procedure

TSOs'need

The invitation to tender includes the need for TSOs defined by:

- The deadline period (date and time of submission at the latest)
- Eligible entry points: Fos and / or Montoir and / or Pirineos
- Eligible exit point: Pirineos
- The start date of the Flow Commitment service
- The duration of the service (7 or 14 days)
- The total volume to be issued over the period
- The maximum daily volume that TSOs can nominate

Supplier response

Suppliers respond to the call for tenders by specifying:

- The total proposed volume

- is less than or equal to the needs of the TSOs
- is expressed in lots of 50 GWh which can be grouped in indivisible lots. That is, the TSOs can only select all the bundled lots or none

- The maximum daily volume proposed
  - The proposed total volume / maximum daily volume ratio must be equal to the ratio of the total TSO requirement to the maximum daily volume of the TSOs' requirement.
- The price in € / MWh of each lot
- The expected delivery profile
  - If TSOs do not nominate, this is the profile that the supplier must produce

Selection of offers

TSOs select lots to cover the need at the lowest cost.

Example 1

Supplier response:

Need	900 000 MWh			

Shipper	price (€/MWh)	Number of lots	volume	Total price €	All or Nothing
A	3	4	200 000	600 000	
B	5	18	900 000	4 500 000	X
C	5,5	14	700 000	3 850 000	

The combined offers of suppliers A and C can cover the need of 900 GWh (18 lots) for an amount of 4.45 M €. Supplier B has made an indivisible offer (or "all or nothing") that covers the need but at a higher cost. It is therefore not retained although it proposed a unit price lower than the supplier C.

Example 2

Supplier response:

Need	900 000 MWh			

Shipepr	price (€/MWh)	Number of lots	volume	Total price €	All or Nothing
A	3	4	200 000	600 000	
B	5	18	900 000	4 500 000	X
C	7	14	700 000	4 900 000	

The TSOs then select the 18 lots of shipper B for € 4.5 million. Although offering a lower unit price, shipper A is not retained. Indeed its offer does not cover the need and therefore would require to select other offers and lead to a higher total cost.

Implementation of the service

From the day before the beginning of the service, each day the TSOs determine their flow need for D + 1. This service is requested from selected suppliers in proportion to their selected volumes. Shippers are then required to nominate the requested quantity.

Financial risk coverage

The profile requested by the TSOs can de-optimize the sales planned by the suppliers. This "de-optimisation" is compensated by the TSOs. The compensation is equal, for each supplier, to the positive difference between:

- - Weighted average of day-ahead PEG prices of the expected emission profile

And

- - Weighted average of day-ahead PEG price of the emission profile called by the TSOs

If this difference is negative, that is, if the service has generated a financial gain, the supplier keeps the gain.

Please consult the contractual documents