Should you want to increase the value of your electricity consumption and production flexibility, RTE gives you this opportunity through the Balancing Mechanism.
Why a Balancing Mechanism?

RTE ensures the real-time balance between production and consumption and deals with congestion on the French electricity system. The Balancing Mechanism assists in the accomplishment of this task. As in many countries, and after extensive dialogue with representatives from the market’s various participants, RTE proposes a Balancing Mechanism in the form of a permanent and transparent system of calls for tender. The system is open to everyone and provides a real-time reserve of power that can be used for balancing either upward or downward. If necessary, RTE activates these offers in order, based on economic precedence and their usage conditions, taking into account system operating conditions. Offers are remunerated pay-as-bid.

Your advantages

- Offer your ability to reduce your consumption, or your flexibility in terms of increasing or decreasing production;
- Setting your own parameters for your offers: price, period, offer usage conditions.

Our advantages

- Ensuring the security of the power system at all times;
- Establishing a reference price for settling the imbalances of the Balance Responsible service.

What does this service consist of?

- You submit, modify or withdraw offers for day D at one of the gate closures: 4 pm, 10 pm and 11 pm on day D-1, on the hour on day D until 9 pm.
- RTE selects the offers that correspond to the real-time balancing requirements, based on economic precedence and their conditions for use.
- You execute balancing orders transmitted by RTE.
- Each month, RTE calculates financial settlements on the basis of each offer’s price.

Participation Conditions

- You undertake to comply with the published rules by signing an agreement with RTE to participate in the Balancing Mechanism.
- You perform the tests needed for information exchanges specific to the Balancing Mechanism.
- You declare your Balancing Entities that RTE validates, and appoint a Balance Responsible entity for each of them.
- The access to the Balancing Mechanism is free.
**WHAT IS A BALANCING OFFER?**

There are two types of offer:
- **upward offer**: increase in production, decrease in consumption or imports,
- **downward offer**: decrease in production, increase in consumption or exports.

For a Balancing Entity (BE), an offer systematically consists of:
- a balancing direction (upward/downward),
- a time period,
- a price that may vary according to six time slots (12.00am – 6.00am), (6.00am– 11.00am), (11.00am – 2.00pm), (2.00pm – 5.00pm), (5.00pm – 8.00am), (8.00pm – 12.00am),
- usage conditions.

Beforehand and only for generation units, you provide RTE with a production programme as of 4.00pm on D-1.

**WHAT INFORMATION IS PUBLISHED?**

**To make your offers**

Information published and updated every 30 minutes on the RTE Customer’s website includes:
- minimum and maximum prices of offers activated to balance the system; and the mobilisation leadtime associated and minimum period for use,
- average weighted prices of upward and downward offers activated to balance the system,
- settlement price for positive and negative imbalances,
- balancing trend,
- energy volumes activated to ensure the balance of the system,
- required and calculated Margins in MW peaks,
- Curve (Price, Power) of upward offers received for consumption peaks for a given day D: published on D+1.

For more information: http://clients.rte-france.com/lang/an/clients_producteurs/vie/vie_mecanisme.jsp

**To keep track of your activity**

RTE provides you with the following **personalised information**, kept **confidential**:
- the follow-up of your activated offers updated every 15 minutes,
- your forecast financial balance sheets for each day submitted on D+3.
WHAT IS THE IMPACT ON IMBALANCES AND THEIR SETTLEMENT?

Imbalances for a participant acting as a Balance Responsible entity (BR) are calculated from the injections (I) and the extractions (E) within his perimeter. The Balance Responsible entity undertakes to settle the financial consequences of the imbalances.

MECHANISM IMPACTS ON IMBALANCES

The execution of a balancing order by a participant has no impact on the imbalance of the BR to which the BE is related.

SETTLEMENT OF IMBALANCES

The Balancing Mechanism is based upon an overall picture of these imbalances from the electrical system point of view. Consequently, for each half-hour period, it gives a reference price applicable for settling the imbalances based upon the Average weighted Prices of upward (AWPu) and downward (AWPd) balancing offers, or on the basis of the Epex spot price.

DEFINITIONS

Balancing Entity (BE): Injection site (production) and/or Extraction site (consumption) and/or exchange point (interconnection) likely to meet a demand from RTE in real time, for the purpose of injecting or extracting a given quantity of electricity into or from the transmission system, for a given period, above or below what had been programmed. A BE may be made up of several sites connected directly to the public transmission or distribution system.

Balance Responsible entity (BR): Participant who undertakes to RTE to settle, pursuant to contracts or transactions falling within its balance perimeter, the cost for imbalances identified subsequently.

Balancing Trend: For each half-hour period RTE subsequently calculates the total volume of balances implemented and deduces the overall upward or downward trend, according to the predominant value.

Gate closure: Deadline for submitting, modifying or withdrawing an offer.

Congestion: Constraint on the transmission system, preventing further compliance with the normal operating rules of the power system.

Minimum usage period: Period during which an activated offer may not be desactivated by RT.

Mobilisation lead time: Lead time needed for the operations for an BE to implement an offer.

Neutralisation lead time: Period of two consecutive hours at a gate closure, during which an order cannot be implemented under normal functioning conditions. This period will be changed to one hour on June 1st 2010.

Offer price: Price in Euros per MWh of the offer that you will submit to RTE for a BE and a given time slot, and for one of the six hourly bands.

Imbalance Price Formation

<table>
<thead>
<tr>
<th>Imbalance Type</th>
<th>Upward balancing trend</th>
<th>Downward balancing trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive imbalance (I &gt; E)</td>
<td>Epex spot price</td>
<td>AWPd / (1+k)*</td>
</tr>
<tr>
<td>RTE usually remunerates the BR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative imbalance (I &lt; E)</td>
<td>PMPh x (1+k)**</td>
<td>Epex spot price</td>
</tr>
<tr>
<td>The BR remunerates RTE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*ceiling of the Epex spot Price / ** the Epex spot Price is the floor price / k: weighting coefficient

FOR MORE INFORMATION

http://clients.rte-france.com/index_en.jsp