

CRE Consultation on the creation of a joint GRTgaz-TIGF marketplace as of 1 April 2015



EFET¹ Taskforce France response – 13 March 2014

The European Federation of Energy Traders (EFET) welcomes the opportunity to respond to the CRE consultation on the creation of a joint GRTgaz-TIGF marketplace as of 1 April 2015.

As mentioned in previous contributions to CRE consultations on the subject², EFET supports the consolidation of the French PEGs. We believe that such a development will improve the liquidity of the French market as a whole and will enhance competition among market participants.

In the context of the 3rd Energy Package of the European Union aiming to establish an internal market for gas by 2014, maintaining the current structure may marginalize the French market, which is surrounded by more liquid markets such as NBP and TTF. In addition, the conditions for the development of a liquid market do not exist at present in the TIGF zone - because of its size - and GRTgaz South zone- because of the lack of liquidity in the market - taken individually. EFET support the efforts of CRE to consolidate the PEGs to ensure security of supply and economic efficiency of the French gas market.

The restructuring of the French gas market needs to be done in a cost efficient way taking account of the interaction with neighbouring countries. Looking for an economic optimum in the evolution of the market structure should be the determining factor of any decision on the subject.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org.

² Please refer to the EFET response to the CRE consultation on the evolution of gas market places, dated June 2012, available at: http://www.efet.org/Cms_Data/Contents/EFET/Folders/Documents/EnergyMarkets/ElectPosPapers/NatRegLevel/~contents/Y73J2ECQP8YUKYQM/EFET_Consultation-CRE-places-de-marche.pdf

Question 1: Do you have any comments on the management rules proposed by the TSOs for the joint GRTgaz and TIGF PEG?

EFET supports the creation of a single PEG in Southern France as of 1 April 2015 offering the same level of service as the North PEG. We can accept the continuation of two balancing zones as a transitional measure, allowing TSOs independence for network operation and contractual management, as long as this solution does not negatively impact social welfare and benefits the shipper community as a whole.

It is essential, however, that a market participant or shipper is able to trade unrestricted at the single hub even if they are active on only one of the two networks. The proposal of the TSOs to allow shippers with a transmission contract with one of the two TSOs to purchase or sell gas, irrespective of their presence or that of their counterparts with either or both of the two TSOs, should fulfil this requirement.

We welcome the TSOs' reassurance and the CRE's insistence on the need for transactions on the joint PEG to be firm, with no pro-rata basis or volume restrictions on the transactions. Shippers need to be able to conclude transactions with any market player present on the single PEG, regardless of the origin or destination of the gas.

EFET also agrees with GRTgaz operating the joint PEG and conducting matching operations and shipper notification checks according to the same rules as those currently in force in the North PEG. We believe that GRTgaz has the necessary experience with PEG management and this will also facilitate the transition towards a single French PEG by 2018.

Question 2: Are you in favour of an implementation of Option 1 proposed by the TSOs for the creation of the joint GRTgaz South and TIGF PEG?

EFET does not favour the implementation of Option 1 for the creation of the joint PEG. As noted by CRE, Option 1 proposes relatively similar solutions in its operation to the current situation. Considering the proposed changes in the management rules of the future joint PEG, we do not consider such an option appropriate.

Option 1 would result in an increasingly complex procedure and new risks for shippers, which would have a detrimental effect on liquidity in the new PEG:

- Introducing the new "scheduling" imbalance which constitutes an additional risk and cost for shippers without delivering advantages
- Imbalances could not be merged between zones, which is inefficient and prevents shippers from reducing the balancing costs of their portfolio
- Arbitrage of imbalances between the two balancing zones is not welcome either.
- Limitations on re-nominations at the notional consumption points would represent an undue restriction for shippers.

Question 3: Are you in favour of the implementation of Option 2 proposed by the TSOs for the creation of the joint GRTgaz South and TIGF PEG?

EFET favours the implementation of Option 2 for the creation of the joint PEG. Option 2 provides for advanced solution to adapt the current operational rules to the new situation of a joint PEG. This Option should not lead to major changes for shippers while offering a real improvement compared to the current situation.

Option 2 enables shippers to combine imbalances between the two zones GRTgaz South and TIGF, which would allows opposite imbalances in the two balancing zones to “cancel” each other. It would also avoid potential arbitrage of imbalances between the two zones.

Finally, Option 2 also paves the way for the realisation of a market designed on a version of the “Trading Region” model, which, although not necessarily an ideal final solution, has already led to practical improvements in other parts of Europe (e.g. Gaspool and NCG in Germany).

Question 4: Are you in favour of CRE’s proposal concerning an allocation key specific to each shipper to distribute daily imbalances between the two consumer zones in Option 2? If you do not agree, do you have any other suggestions?

We can accept, as a transitional measure, the CRE’s principle of an allocation key specific to each shipper to distribute daily imbalances between the two consumer zones in Option 2. This solution should allow maintaining a rational link between the physical situation and the contractual one.

We recommend pursuing discussions on the subject at Concertation Gaz meetings, especially considering the low level of technical details of the proposal and the absence of an impact assessment. Careful consideration needs to be given as to how apportioning imbalances between the two zones impacts on the default provisions in standard trading contracts and a shipper’s ability to accurately attribute elements of their imbalance exposures back to the end-users who have caused them, if provided for under the supply contract.