

Deliberation of the French Energy Regulation Commission of 26 July 2012 regarding the service of transfer of gas in storage from storage group Sediane Littoral to storage group Serene Sud marketed by Storengy

Present: Philippe de LADOUCKETTE, chairman, Olivier CHALLAN BELVAL, Frédéric GONAND, Jean-Christophe LE DUIGOU and Michel THIOLLIÈRE, commissioners.

1. Context

Storengy, a wholly-owned subsidiary of GDF Suez, an operator of storage sites in France connected to GRTgaz's transmission network, informed its customers on 27 June 2012 of the launch of a service for transferring quantities of gas from the Sediane Littoral storage group to the Serene Sud storage group. This service has been proposed as an 'experiment' for the period of 2 to 13 July 2012. It allows Storengy's customers with storage capacities in the two aforementioned storage groups to transfer under contract a quantity of gas stored in the Sediane Littoral storage group, located in the GRTgaz North balancing zone, to the Serene Sud storage group, located in the GRTgaz South balancing zone. Storengy has set the price based on 80% of the spread in day-ahead price between the South and North PEGs (Gas Transfer Points), with a minimum price of €0.75/MWh.

It appears that this new service was likely to affect the operation of the market by modifying the conditions for transmitting gas to the GRTgaz South zone from the North zone due to congestion of this link and the low level of re-stocking in France.

In application of its role to monitor the correct operation of the market as set out by the provisions of Article L.131-1 of the French Energy Code, the French Regulation Energy Commission (CRE) set out to immediately ask for the opinions of the market players and launched a public consultation from 29 June to 6 July 2012.

2. Assessment of the marketing of the transfer service

Three shippers resorted to the transfer service proposed by Storengy over the period of 2 to 13 July 2012 for a total quantity of around 1.1TWh, one of which dominated.

3. Summary of the public consultation

The public consultation was able to collect 19 contributions from eleven shippers, three infrastructure operators, three industrial customers and two associations. Six of these contributions are confidential, the others have been published on the CRE's website, simultaneously with this present deliberation.

3.1. Conditions for accessing the transfer service

Almost all of those who contributed regret the absence of prior consultation with the market as well as the

very short notice between announcing the offer and its effective marketing. Furthermore, the majority of those who contributed believe that the offer is discriminatory in nature insofar as it is actually only accessible to a limited number of shippers. Several of those who contributed indicated that the offer was launched after the second round of capacity allocations whilst the players' strategy with regard to utilising storage was already well established.

3.2. Effects of the transfer service on the availability of interruptible capacities on the North to South link and on the operation of the market

A large majority of those who contributed believe that the service marketed by Storengy has led to a reduction in the availability of interruptible capacities to GRTgaz's North to South link, in particular during the summer and constitutes, accordingly, a competing offer to the transmission service offered by GRTgaz.

GRTgaz states that the same infrastructures contribute to ensuring the North-South link and the flow towards the North Atlantic Transport Storage Interface Point (PITS) (or from the South Atlantic PITS according to the season). Therefore, according to GRTgaz, when these players, having transferred gas from the North zone to the South zone, re-inject gas into the Sédiane Littoral storage group, these injections will reduce the interruptible capacities available to the North to South link.

Storengy believes that the transfer service should allow, in part, available transmission capacities to be used for the injection to the North Atlantic PITS in order to complete the contractual re-stocking of the Serene Sud storage group and that a rational economic recourse to the service will not reduce the availability of interruptible capacities to the North to South link, this service being, by its price conditions, such as to be used to complement and not replace transmission via the North to South link.

Several of those who contributed believe that the transfer service may disadvantage them with regard to re-stocking TIGF storages and exporting gas to Spain, due to the reduction in availability of interruptible capacities on the North to South link.

3.3. Competition of the transfer service with the transport service marketed on the North to South link by GRTgaz

The majority of players believe that the transfer service proposed by Storengy is in competition with the interruptible capacities marketed by GRT gas on the North to South link insofar as resorting to the transfer service allows the transmission of gas through the link to be avoided.

On the opposite, several players believe that the transfer service complements transmission capacities to the North to South link and that it allows additional gas to be transmitted to the South zone.

4. CRE analysis

4.1. Legal framework

Article L.421-8 of the French Energy Code states that the operators of underground storage facilities are free to negotiate the terms of their offers with their customers, with the latter being able to rely on objective, transparent and non discriminatory criteria (so-called 'negotiated' access scheme). As a result, offers to access storage or their tariff are not set by CRE.

Furthermore, article L.421-3 of the French Energy Code states that storage of natural gas must, as a priority, be able to ensure the '*proper operation and balancing of systems connected to underground natural gas storage facilities*'.

4.2. Conditions for accessing the transfer service

The CRE has made the following findings:

- the transfer offer was accessible during the period of 2 to 13 July to Storengy customers who had, between these dates, storage capacities both in the Sediane Littoral and Serene Sud storage groups, within the limits of the quantities of gas stored in both storage groups concerned and with regard to the tunnel constraints after transfer;
- this marketing was not submitting to any prior consultation with the market players, nor with GRTgaz; notice was short ¹ between publication of the service and the start of the subscription period;
- only three players resorted to the service proposed by Storengy, one of which dominated.

As a result, the CRE believes that the marketing conditions implemented by Storengy did not allow non-discriminatory access, in a satisfactory way to be guaranteed for the market players.

4.3. Effects of the transfer service on the availability of interruptible capacities on the North to South link and on the operation of the market

The CRE has noted the converging technical assessments produced by GRTgaz and Storengy in their responses to the public consultation.

Under a maximal volume of transferred gas, the service of transfer does not reduce the availability of the interruptible capacities on the North-South link. Indeed, the sharing rules state that the firm injection capacity on the North Atlantic PITS is not reaffected to the North-South link, while not being used. An important part of the storage capacities at Sediane Littoral group being not subscribed, the capacity at the PITS remains partly used in the current situation. Since 1 April 2012, the unused capacity at the PIST North Atlantic represented in average 35 GWh/d. the resort to the transfer service is therefore likely to increase gas stored quantities by the end of the summer in the South zone.

However, above the maximal volume of gas transferred, this service reduces the availability of interruptible capacities on the North-South link, in summer as well as in winter.

4.4. Competition of the transfer service with the transport service marketed on the North to South link by GRTgaz.

The transfer service is analysed as a delayed gas displacement service from the North PEG to the South PEG without the need to resort, for the quantities subject to the service, to transmission capacities marketed by GRTgaz to the North to South link.

At the same time, this service cannot be reduced either to a single storage service nor a single transmission service and requires both infrastructures to be shared. In this respect, the CRE believes that the relevance of the existence of such a 'delayed gas displacement service' and its marketing conditions, as well as the amendments that should be applied to the contractual structure of the transmission systems, must be the subject of work within the terms of the Gas Consultation. If such a service is deemed appropriate, the methods of distributing the transport capacities between the North to South link and the injections/withdrawals into/from the Sediane Littoral/Serene Sud storage groups must be adapted as part of the Gas Consultation.

¹ Offer announced on Wednesday 27 June 2012 to go on sale on Monday 2 to Friday 13 July 2012.

5. CRE conclusions

The 'delayed gas transfer' service marketed by Storengy is likely to increase, this year, the quantities of gas transferred by the end of summer in the South zone. However, above a certain threshold of gas transferred, this service may disturb the well operation of the market, by reducing the availability of interruptible capacities on the North to South link.

As a result, CRE recommends that Storengy and GRTgaz analyse the following as part of the Gas Consultation:

- on the short term, to define the maximum quantity of gas allowed to be transferred through the Storengy service until the end of the re-stoking period, without affecting the availability of capacities on the North to South link;
- on the long term, to study the relevance of such a “delayed gas transfer” service, as well as necessary modifications to bring to the contract structure of the transmission networks and the capacities sharing rules. The CRE shall be notified of these results no later than 15 October 2012, so that they can be taken into account for the next transmission tariffs which come into effect on 1 April 2013.

Paris, 26 July 2012.

For the French Energy Regulation Commission

The Chairman,

Philippe de Ladoucette