

Decision of the Commission de régulation de l'énergie of 25 October 2007 on the rules for allocating capacities available at the link between the North and South zones on the GRTgaz system and at the interface between the GRTgaz and TIGF systems as from 1 January 2009

In view of Law 2000-108 of 10 February 2000 governing modernisation and development of the public electricity service, especially article 37-1;

In view of Law 2003-8 of 3 January 2003 governing the electricity and gas markets and the public power service, especially articles 2, 6, 7 and 16;

In view of Decree 2004-251 of 19 March 2004 governing public service obligations in the gas sector, especially title V.

The Commission de régulation de l'énergie has decided upon the following:

I. Purpose

The French natural gas transmission system is currently organised into five balancing zones operated by two transmission system operators (TSOs), TIGF in the southwest and GRTgaz in the rest of the territory.

The transmission system organisation is to be simplified as from 1 January 2009 with reduction in the number of balancing zones and improved conditions for gas transmission at the interface between the systems of the two TSOs. These changes result in redefining the links within the GRTgaz system and between the GRTgaz and TIGF systems.

The purpose of the present decision, taken in application of article 37-1 of the amended Law of 10 February 2000, is to define the rules for allocating marketable capacities at the links between the balancing zones on the GRTgaz system and at the interface between the GRTgaz and TIGF systems as from 1 January 2009.

In order to prepare its decision, CRE consulted market players between 12 July and 4 September, then held hearings with shippers on 27 September. It also organised a round table attended by the shippers and TSOs on 15 October and held hearings with the two TSOs on 17 October 2007.

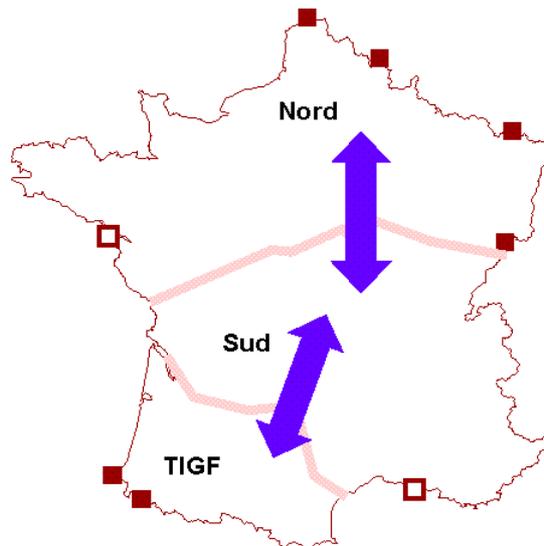
II. Working hypotheses for the forthcoming tariff for the use of natural gas transmission systems

2.1. Organisation of natural gas transmission

Current tariffs for the use of natural gas transmission systems in force since 1 January 2007 have been designed to be applied until 31 December 2008.

Mid-2008, CRE is planning to propose fresh tariffs for the use of natural gas transmission systems applicable as from 1 January 2009 to incorporate the new transmission system organisation:

- Setting up of three balancing zones: the new North zone of GRTgaz resulting from the merger of the current West, North and East zones, the GRTgaz South zone and the TIGF zone;
- Organisation 'in series' of the transmission system: transmission capacities between balancing zones are to be commercialised in the form of link capacities between the new North zone and the South zone of GRTgaz, in both directions and interface capacities between the GRTgaz South Zone and the TIGF zone, in both directions;
- Joint commercialisation of transmission capacities at the interface between the GRTgaz South zone and the TIGF zone.



2.2. Estimate of tariff charges

In order to provide the market with better visibility, CRE has decided to communicate an estimate of tariff charges applicable to marketable capacities as from 1 January 2009 at the links between the balancing zones on the GRTgaz system and at the interface between the GRTgaz and TIGF systems, based on the following elements of analysis.

CRE is planning to equalise the link charges between the new North zone and the South zone of GRTgaz, along with the interface charges between the GRTgaz South zone and the TIGF zone so as to reflect the changes in the transmission system structure and rebalancing of gas flows between the balancing zones:

- Tariff charges for the links between the new North zone and the South zone of GRTgaz amount to between 150 and 200 €/MWh a day per year, all things being equal. The lasting nature of congestions between the north and the south of France justifies keeping these charges at this price level;

- Tariff charges at the interface between the GRTgaz South zone and the TIGF zone amount to between 100 and 150 €/MWh a day per year. This will continue the downturn in the cost of transmission from GRTgaz to TIGF, so as to facilitate access to the TIGF zone and contribute to the future setting up of a gas hub in the south of France.

III. Principles for allocating marketable capacities at the links between the balancing zones on the GRTgaz system and at the interface between the GRTgaz and TIGF systems as from 1 January 2009

The present decision is based on the following principles:

1. Certain shippers currently hold capacities for after December 2008 on products which will disappear on 31 December 2008 (East - South link, West - South link, Dordogne and Hérault). In order to ensure continuity of contracts in force, these subscriptions are taken into consideration to define the volumes of marketable capacities as from 1 January 2009 for new products. Subscriptions at the interface between the GRTgaz south zone and the TIGF zone are lopped of any surplus on either side of the interface.
2. Duration of multi-year or multi-season subscriptions for existing marketable capacities is limited to 4 years as from 1 January 2009. The TSOs are planning calls for tender ('Open Season') in the second half of 2008 to increase transmission capacities between balancing zones. If the results are positive, shippers will be able to subscribe capacities without any limit of duration.
3. Part of the capacities is reserved by annual or seasonal subscriptions.
4. There are lasting physical congestions between the north and south of France. So as not to curb competition in the south and southwest, if demand is greater than marketable capacities, mechanisms for allocating capacities for annual and seasonal subscriptions provide for a system which considers each shipper's needs estimated on their portfolio. CRE shall distribute the definition of this system if need be.
5. Except for daily capacities, capacities are sold based on a gate closure mechanism ('open subscription period').

6. Marketable capacities correspond to the volumes indicated in the following tables:

Link between the new North zone and the South zone

(GWh per day)	New North zone to the South		South to the new North zone	
	Firm	Interruptible	Firm	Interruptible
<i>Total technical capacities</i>	230	220	120	130
Marketable capacities	143	171	120	125

Interface between the South zone and the TIGF zone

(GWh par day)	South to TIGF				TIGF to the South			
	Firm		Interruptible		Firm		Interruptible	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
<i>Total technical capacities</i>	355	325	15	5	30	30	40	40
Marketable capacities	106	181	15	5	25	25	35	35

7. The provisional schedule for the sale of these capacities is as follows:

- Multi-year and multi-season capacities are sold by the two TSOs at the end of 2007, with start-up on 1 January 2009;
- Annual and seasonal capacities are sold by the two TSOs around mid-2008, with start-up on 1 January 2009;
- Interface capacities between the GRTgaz South zone and the TIGF zone, in the direction from the TIGF zone to the South zone, are sold at the same time as capacities at the other links and interfaces, but come into service at a later date currently being defined by the TSOs.

IV. CRE's decision

1. As from 1 January 2009, transmission capacities between the balancing zones are to be sold in the following forms:
 - Link capacities between the new North zone and the South zone of GRTgaz, in both directions;
 - Interface capacities between the GRTgaz South zone and the TIGF zone, in both directions. These capacities are jointly sold by GRTgaz and TIGF.
2. Part of the capacities is reserved for annual and seasonal subscriptions, corresponding to:
 - 20% of technical capacities for the link between the new North zone and the South zone of GRTgaz, in both directions and for the interface between the GRTgaz South zone and the TIGF zone from the TIGF zone to the South zone;
 - 30% of marketable capacities as from 1 January 2009 for the interface between the GRTgaz south zone and the TIGF zone, from the South zone to the TIGF zone.
3. The balance of the capacities is assigned to multi-year and multi-season subscriptions for a maximum duration of 4 years.

4. Multi-year and multi-season capacities are sold in the form of flat bands over two years, three years or four years. Surplus capacities available at the interface between the GRTgaz south zone and the TIGF zone in summer or in winter are seasonally sold over two, three or four seasons.
5. TSOs shall notify CRE of their detailed allocation rules before allocating capacities.
6. Multi-year and multi-season capacities are sold based on a gate closure type mechanism. If demand exceeds supply, these capacities are allocated on a pro rata basis of shipper applications for quantities.
7. Annual and seasonal capacities are sold based on a gate closure type mechanism. If demand exceeds supply, these capacities are allocated using systems considering each shipper's portfolio needs.
8. TSOs shall publish flow scenarios and parameters considered to dimension firm and interruptible capacities.

Paris, 25 October 2007

On behalf of the Commission de régulation de l'énergie

The Chairman

Philippe de LADOUCETTE