

## Deliberation of the French Energy Regulatory Commission (CRE) dated 29 May 2012 on the guidelines for the creation of a single North marketplace for H-gas and L-gas on the GRTgaz network

Present: Philippe de LADOUCKETTE, Chairman, Jean-Christophe LE DUGOU and Frédéric GONAND, Commissioners.

### 1. Background and CRE's public consultation

GRTgaz's network for low calorific gas (L-gas) supplies a consumer area located in the North of France with approximately 50 TWh per year. This network is separate from the network for high calorific gas (H-gas).

During the public consultation on the tariffs and conditions of access to natural gas transmission networks conducted by CRE in July 2010, a large majority of market players requested that access to the L-gas network continue to be simplified. Against this backdrop, in January 2011, CRE requested GRTgaz to perform a feasibility study on the contractual merger of the H and B balancing perimeters by 2013. GRTgaz regularly presented its progress at the Concertation gaz working groups and in February 2012 submitted its study report to CRE.

On the basis of this study, CRE organised a public consultation from 29 March to 23 April 2012. The non-confidential contributions and the summary of contributions have been published on the CRE website. Seventeen contributions were received from nine shippers, one producer, four associations and three infrastructure operators. To prepare its deliberation, CRE also met with GRTgaz.

CRE intends to merge, as of 1 April 2013, the H and B balancing perimeters in the North zone and create a single North PEG. As the physical H-gas and L-gas networks will remain separate, this merger must be conducted together with measures to ensure that L-gas infrastructure continues to be used in order to physically balance the L-gas network.

### 2. Conditions for the creation of a single North marketplace for H-gas and L-gas

#### 2.1. General principles

##### 2.1.1. Results of the public consultation

The expected benefits of the proposed merger are very widely acknowledged by the market, in particular as regards the development of competition on the retail market of the current B perimeter of the North zone and the increase in liquidity on the future single North PEG.

A large majority of contributors is in favour of the principle of no longer billing shippers for the H-gas into L-gas conversion service. Several contributors however believe that the conversion costs should be solely borne by shippers supplying consumers connected to the L-gas network with gas that was originally H-gas. Moreover, some market players stress the need to control the future development of conversion costs.

### 2.1.2. CRE's analysis

Given the responses largely in favour of the proposed principles, CRE maintains its proposals made in the public consultation document. This will result in the following three main changes as of 1 April 2013:

- A single North PEG will be created by combining the current North B and North H PEGs;
- the imbalances of shippers active on the H network and/or the L network in the North zone will be calculated on the scale of a single balancing perimeter;
- GRTgaz will still provide the H to L basic conversion service but shippers will no longer be directly charged for this service. GRTgaz will continue to use a swap service involving H-gas and L-gas in order to physically balance the L-gas network. The terms for the transfer of the cost of this service will be set in the following transmission tariff which will enter into force on 1 April 2013. The option of passing this conversion cost onto all charges in the GRTgaz tariff would lead to, all other things being equal, an average increase of these charges of approximately 0.5%.

### 2.2. Conditions of access to L-gas network infrastructures

Despite the merger of shippers' contractual balancing perimeters, GRTgaz's H-gas and L-gas North networks will remain physically separate. In order to ensure balancing on the L-gas network and to continue to supply the consumers connected to this network, the L-gas network infrastructures must be used as a priority for the purpose of physical balancing. Consequently, CRE proposed the following measures in its public consultation:

- The application by GRTgaz of a tariff for the contractual conversion of L-gas into H-gas billed retroactively to shippers;
- The possibility for GRTgaz, as a last resort, to oblige shippers to modify their nominations on the L-gas network infrastructures.

#### 2.2.1. Tariff for the contractual conversion of L-gas into H-gas

##### a) Results of the public consultation

Most contributors agree with CRE's proposal of creating a retroactive tariff for the contractual conversion of L-gas into H-gas.

Several contributors have stated their various reservations on the tariff level proposed at 1€/MWh. Some believe that the proposed level is too high and could limit shippers' interest in accessing L-gas infrastructures. Conversely, other contributors believe that the proposed tariff is an insufficient incentive for the appropriate use of L-gas infrastructures with regard to the requirements on the L-gas network. Moreover, the need to add a minimum tolerance to this tariff was proposed by several players.

In addition, a natural gas producer on the L-gas network stated that the implementation of this tariff must not reduce the attractiveness of its production.

##### b) CRE's analysis

CRE once again states that the implementation of a contractual conversion tariff is aimed at ensuring operational integrity and the proper functioning of the L-gas network post-merger. The introduction of such a tariff charge preserves the attractiveness of the Sédiane B storage operated by Storengy, in that the quantities of gas withdrawn from this storage can be used to supply consumers connected to the L-gas network under the same conditions as at present.

Consequently, CRE maintains its proposal to implement a tariff for the contractual conversion of L-gas into H-gas that will be billed retroactively to any shippers whose use of the Taisnières B PIR (network interconnection point), the Sédiane B PITS (transport storage interface point) or physical conversion tools<sup>1</sup> would lead to a quantity of L-gas being released on the L-gas network greater than the total consumption of its customers connected to the B network. The tariff commonly billed will be approximately 1 €/MWh. A tolerance representative of shippers' normal projection errors will be applied. The level of this tariff charge and the authorised tolerance will be set by CRE as part of the tariff decision applicable as of 1 April 2013 (ATRT5). These parameters may then be reassessed following initial feedback as part of the Concertation gaz working group.

Moreover, the locally produced L-gas contributes structurally to the supply of L-gas to the zone, with no other physical outlet than the L-gas network. Due to this, this production limits the need for GRTgaz's H-gas for L-gas swap service. Consequently, the quantities of L-gas injected at the PITP (*Point d'interface transport production* – transport production interface point) will not be considered in the tariff for the contractual conversion of L-gas into H-gas.

The tariff for the contractual conversion of L-gas into H-gas does not apply to the shipper providing the H-gas for L-gas swap in that this shipper structurally injects more gas onto the B network than its customers can consume. Moreover, the shipper providing the H-gas for L-gas swap service, pursuant its swap service contract, conserves the obligation to supply its own customers connected to the L-gas network with L-gas.

### *2.2.2. Option for GRTgaz to modify shipper nominations on L-gas infrastructures*

#### *a) Results of the public consultation*

A large majority of contributors is in favour of giving GRTgaz the option of obliging, as a last resort, shippers to modify their nominations on the L-gas physical infrastructures. Some market players have however requested that this power comes with guarantees aimed at providing a framework for the conditions under which GRTgaz can use this mechanism and at limiting the consequences on the attractiveness of Storengy's offer at Sédiane B.

#### *b) CRE's analysis*

CRE has stated that the last-resort revision of nominations by shippers upon the request of GRTgaz is solely aimed at ensuring supply continuity for customers connected to the physical L-gas network.

GRTgaz may, if required for the physical balancing of the B network, oblige shippers holding capacity on B network physical infrastructures to increase or decrease their nominations on these infrastructures, while respecting their general balancing obligation on the combined H and L perimeter. The 1€/MWh charge presented above will not apply if the quantity of L-gas released results from a revision of nominations upon the request of GRTgaz. GRTgaz will submit to CRE for approval, prior to the implementation of the merger, the implementation terms of this system and, where necessary, will report back to CRE after the merger with regard to the actual conditions of its use.

### *2.2.3. Conditions of access to the physical B to H conversion service*

The physical L-gas to H-gas conversion service will only be accessible to shippers providing their own L-gas from the Taisnières B PIR or the PITP.

## **2.3. Competitive tendering of the L-gas for H-gas swap service**

### *2.3.1. Results of the public consultation*

The contributors are unanimously in favour of the competitive tendering of the L-gas for H-gas swap service by 2015. Three contributors are sceptical, in particular given the current and future competitive positions for this date. Most contributors have also requested that CRE guarantees, pending the tendering procedure, the transparency of the cost of the service and any developments to this cost.

---

<sup>1</sup> Loon-plage peak H to L convertor and adaptor of L-gas to H-gas.  
3/4

### 2.3.2. CRE's analysis

CRE agrees with contributors with regard to the opportunity of launching a competitive tendering procedure by 2015. CRE notes that the supply of this service is subject to the commitments made by GDF Suez to the European Commission and that the corresponding contract is governed by the provisions of Article L. 111-17 of the French energy code. New service providers will only be selected if their bids are more favourable than that of GDF Suez as part of its commitments to the European Commission.

## 4. CRE's guidelines

CRE intends to modify the structure of the gas exchange points (PEGs) in its decision on the new tariffs for the use of the natural gas transmission networks set for application as of 1 April 2013. This modification will bring about the creation of a single North marketplace for H-gas and L-gas on the GRTgaz network on the basis of the following principles:

- A single North PEG will be created by combining the former North B and North H PEGs;
- the imbalances of shippers active on the H network and/or the B network in the North zone will be calculated on the scale of a single balancing perimeter;
- GRTgaz will still provide the H to L basic conversion service but shippers will no longer be directly charged for this service. GRTgaz will continue to use a H-gas for L-gas swap service in order to physically balance the L-gas network. The terms for the transfer of the cost of this service will be set in the following transmission tariff. The provider of the H-gas for L-gas swap service, under the service contract, conserves the obligation to supply L-gas to its own customers connected to the L network;
- GRTgaz will apply and bill retroactively a tariff for the contractual conversion of L-gas into H-gas to any shippers who release a quantity of L-gas on the L network greater than the total consumption of its customers connected to the L network from the Taisnières B interconnection point, the Sédiane B storage point or using physical conversion tools (peak converter and adaptor). The quantities of L-gas injected on the L network from local production sites will not be considered in the tariff. A tolerance representative of shippers' normal projection errors will be applied. The level of this tariff, which will be approximately 1€/MWh, and the related tolerance, will be provided for in the next GRTgaz tariff and may be reassessed, where necessary, following initial feedback in the Concertation gaz working group. This tariff will not apply to the shipper providing the H-gas for L-gas swap service;
- GRTgaz may, as a last resort and if required for the physical balancing of the L network, oblige shippers holding capacity on L network physical infrastructures to increase or decrease their nominations on these infrastructures, while respecting their general balancing obligation on the combined H and L perimeter. The tariff for the contractual conversion of L-gas to H-gas will not apply if the quantity of L-gas released results from a revision of nominations upon the request of GRTgaz. The conditions of implementation of this measure will be defined by CRE;
- The physical conversion service of L-gas to H-gas will be accessible to shippers providing their own L-gas from the Taisnières B PIR or the PITP.

In order to finalise the operational implementation terms of this modification, CRE requests that GRTgaz submit, on 15 September 2012 at the latest, its proposals with regard to the tolerance level related to the B to H contractual conversion tariff and the shipper nomination modification rules.

Executed in Paris, 29 May 2012

On behalf of the Commission de régulation de  
l'énergie,  
The Chairman,

Philippe de LADOUCETTE