

Public consultation of the French Energy Regulatory Commission of 9 June 2016 relating to the rules regarding the marketing of storage capacities in the context of the reform of third-party access to storage

On 8 February 2016, the minister for ecology, sustainable development and energy and the minister for the economy, industry and the digital economy submitted a draft order modifying the conditions of third-party access to underground gas storage for the opinion of the French Energy Regulatory Commission (CRE). CRE issued its opinion on 10 March 2016.¹

In particular, the draft order provides that the French storage capacities identified in the Multi-year Energy Programme (PPE) are marketed through auctions; the auction rules are proposed by the operators and approved by CRE after a public consultation. The reserve prices will be the subject of a separate process.

With a view to the implementation of the reform for third-party access to storage from the 2017-2018 gas year, CRE launched an early, broad review of the rules regarding the marketing of the storage capacities in collaboration with the storage operators and while bringing together all of the stakeholders. For this, it organised two workshops on 15 March 2016 and 13 May 2016, and requested written contributions from the stakeholders.

The presentations made during these workshops, as well as the non-confidential written contributions received by CRE, can be accessed on CRE website².

Subject to the entry into force of the order and its implementing legislation, the CRE plans to carry out a deliberation in September 2016 relating to the various approaches to take regarding the rules of marketing of the storage capacities. Following this deliberation, the operators are expected to submit their proposals to CRE in October 2016.

This public consultation relates to the approaches envisaged by the CRE.

The interested parties are asked to respond to the questions listed at the end of this document by 8 July 2016 at the latest.

¹ Deliberation of the French Energy Regulatory Commission of 10 March 2016 providing an opinion on the draft order modifying the conditions of third-party access to underground gas storage.

² <http://www.cre.fr/reseaux/infrastructures-gazieres/stockage>.

Contents

1.	Context.....	3
1.1.	<i>The reform of third-party access to storage envisaged by the public authorities.....</i>	3
1.2.	<i>The opinion of the CRE on the draft order submitted by the government.....</i>	3
1.3.	<i>The preparatory work for this public consultation carried out by CRE.....</i>	4
2.	General approach of CRE regarding the marketing of storage capacities.....	4
3.	Auction schedule.....	5
3.1.	Reminder of the current schedule.....	5
3.2.	Summary of the workshops organised by CRE.....	5
3.3.	CRE's preliminary analysis.....	6
4.	Marketed products.....	6
4.1.	Numbers and characteristics of the products marketed through auctions.....	6
4.2.	Marketing of multi-year products.....	9
5.	Implementation of auctions.....	10
5.1.	Marketing of standard products in batches.....	10
5.2.	Mechanisms of the auctions.....	11
6.	Publication of the reserve price.....	12
6.1.	Method of fixing the reserve price.....	12
6.2.	Summary of the workshops organised by CRE.....	13
6.3.	CRE's preliminary analysis.....	13
7.	Marketing platform.....	13
7.1.	Summary of the workshops organised by CRE.....	13
7.2.	CRE's preliminary analysis.....	13
8.	Additional comments.....	13
9.	Reminder of the questions.....	14

1. Context

1.1. The reform of third-party access to storage envisaged by the public authorities

For several years, the spreads between winter prices and summer prices on the large French and European gas markets has been lower than the storage prices implemented by the French storage operators. Due to this, storage capacities subscriptions made by suppliers have gradually decreased over the years, to such an extent that, during winter 2013 - 2014, the French gas system was not able to handle a cold spell, even though this was not particularly exceptional.

This situation led the government to increase the storage obligations of the suppliers of French consumers, while the two storage operators freely set their prices in an unregulated regime.

In this context, in March 2015, the French General Directorate for Energy and Climate (DGEC) launched a public consultation regarding the two possible mechanisms to achieve the security of supply objectives and the smooth functioning of the gas market.

Following this consultation, on 8 February 2016, a draft order modifying the conditions of third-party access to underground gas storage was submitted before CRE. This draft order states that the revenue of storage operators will be regulated. The French storage capacities will be marketed through auctions, and the positive or negative difference between the income from the auctions and the regulated revenue of the storage operators will be compensated through the introduction of a dedicated term in the tariff of use of the gas transmission networks.

More specifically:

- the methodology for the calculation of the authorised revenue of the storage operators is defined by decree, after consultation of CRE. CRE calculates the annual authorised revenue of the operators, which it submits for the approval of the Ministers;
- the rules for the marketing of capacities are proposed by the storage operators to the CRE, for approval;
- the reserve prices of the auctions are the subject of a separate process: the methodology for the calculation of the reserve prices will be defined by decree, after consulting CRE. CRE monitors the implementation thereof;
- if the level of subscriptions necessary to ensure the security of supply is not reached by a date set by decree, last resort obligations are established for the suppliers, who have a period of one month in which to subscribe the missing capacities, at a penalised price. The methods of calculation of the level of the last resort obligation and the share for each supplier shall be specified through regulation.

1.2. The opinion of the CRE on the draft order submitted by the government

In its opinion of 10 March 2016 regarding the draft order, CRE indicated that it was in favour of the principle of reforming the storage access system. It believes that the purpose of this reform is to maintain the level of security of gas supply guaranteed by the current system, all the while removing its two main faults: the lack of transparency with regard to storage prices and the complexity linked to the individual supplier obligations system.

With this being said, CRE considers that in order to be effective, this reform must implement an operational framework that guarantees a clear division of responsibilities between the government, CRE and the storage operators. It also issued an unfavourable opinion regarding the methods of implementation of the reform suggested in the draft order and believes that the following two points should be modified:

- the order should only mention the general principles for the setting of the authorised revenue of storage operators. It should leave CRE the possibility to set the methodology for the calculation of the authorised revenue and implement an incentive regulation for this revenue under conditions similar to those in force for gas transmission;
- the fixing of the auction reserve prices should be included in the conditions for the marketing of the capacities proposed by the operators and approved by CRE.

The implementation of these provisions remains subject to the publication by the government of the order provided for by the energy transition law, as well as all of the associated regulatory texts.

1.3. The preparatory work for this public consultation carried out by CRE

Given the challenges linked to the reform of third-party access to storage, CRE wanted to anticipate the reform and organise a review of the implementation of auctions for the marketing of capacities, in collaboration with the storage operators, bringing together all of the stakeholders. Two workshops relating to the rules of the marketing of storage capacities through auctions were organised prior to this public consultation.

The first workshop, which was held on 15 March 2016, enabled the possible rules relating to the products auctioned off, the marketing schedule, the auction implementation, the method of fixing the reserve price and the choice of marketing platform to be examined. TIGF and Storengy presented their proposals on these various topics. The proposals set forth during this workshop were expanded by written contributions from thirty participants. The second workshop of 13 May 2016 was the chance to present the summary of written contributions and to carry out in-depth reviews.

In addition, in conjunction with the storage operators, CRE launched preparatory work for the setting of the authorised revenue. A public consultation will be conducted by CRE with regard to this during the second half of 2016.

2. General approach of CRE regarding the marketing of storage capacities

As it indicated in its opinion on the storage order, CRE considers that the storage operators are the most capable of proposing an adapted commercial offer likely to meet the expectations of their customers, in particular due to the operating constraints linked to storage. It is therefore logical that the storage operators set out the conditions for the auctions.

In addition, CRE considers that the storage operators must be incentivised to market their storage capacities in the best way possible, with the primary goal of selling enough capacity to reach the level of subscriptions necessary for the security of supply. In addition, the storage operators must be encouraged to sell at the best price, in order to limit the amount of compensation which will enable the authorised revenue of the storage operators to be covered.

In this way, at this stage of the analysis, CRE envisages:

- on the one hand, leaving the greatest possible leeway for the storage operators to define the rules for the marketing of storage capacities. Therefore, the deliberation regarding the approaches that it plans to take in September 2016 should only relate to the provisions necessary for the smooth functioning of the gas market in general;
- on the other hand, implementing an incentive regulatory framework, first of all to enable the storage operators to reach the level of subscriptions necessary for the security of supply, and secondly, to maximise the revenue from the auctions.

Question 1: Do you agree with the general approaches proposed by CRE?

3. Auction schedule

3.1. Reminder of the current schedule

Currently, the majority of the sales of storage capacities are carried out in the form of "catalogue" products allocated in January-February in the context of a process that grants priority access to the underground natural gas storage capacities for the suppliers of end customers in France: indeed, each year, a ministerial decree³ defines the overall budget for storage rights as well as the unit storage rights (according to consumption profile). Still within the context of this priority access, sales are also organised in May and September in order to enable suppliers with new end customers, and therefore new rights, to adjust their portfolio. Between these marketing phases, the unsold "catalogue" products are offered to players on a "first come - first served" basis.

In order to guarantee the supply of the end customers in the case of cold spells, the suppliers who deliver to end customers on the distribution network are subject to an obligation to hold storage capacities acquired as rights, in volume and withdrawal capacity. DGEC conducts a survey of suppliers in April of each year in order to ensure the storage obligations are fulfilled as of 1 May.

In addition to these "catalogue" products, from March onwards, the operators auction off specific products based on the storage capacities available. The volume associated with these specific storage products remains relatively low.

3.2. Summary of the workshops organised by CRE

Marketing commencement date

The storage operators are in favour of marketing commencing on 1 January, although Storengy indicates that this date could be brought forward to 1 December.

In the context of the workshops, a vast majority of the players declared that they were in favour of a marketing campaign starting earlier than is currently the case. Many contributors would like the campaign to start around November. They note that the supply contracts frequently start on 1 January and this would give visibility to suppliers and to customers regarding the prices. A single shipper recommends beginning marketing at the end of January because they feel that they will not know their specific modulation needs before this date.

In the same way, a majority of contributors favour an extended marketing period in order to organise regular rounds of auctions over the entire marketing period and to benefit from changes to the market conditions over the period.

Marketing end date

Two deadlines must be considered in order to set the end of the marketing period:

- on the one hand, the storage year and the injection campaign begin on 1 April; the injection possibilities for new subscribers decrease as the injection campaign advances;
- on the other hand, if the level of subscriptions necessary to ensure the security of supply set each year by a decree from the minister for energy is not reached starting by a date set by decree, the draft order provides for last resort obligations for suppliers.

³ Decree of 4 February 2016, amending the decree of 7 February 2007 relating to profiles and unit storage rights (JORF [Official Gazette of the French Republic] 11/02/14)

During the workshops, several contributors indicated that the marketing campaign could be extended beyond the date proposed by the storage operators during the first workshop, i.e. 15 February.

3.3. CRE's preliminary analysis

CRE agrees with the analysis expressed by a majority of the players during the workshops: the organisation of rounds of auctions at regular intervals and in the form of batches (cf part 5.1) over an extended marketing period limits the risks related to market spread developments.

CRE proposes starting the marketing at the beginning of December 2016, subject to the entry into force of the regulatory texts and the implementing deliberations of CRE. For the following years, the marketing of the capacities could start in November.

CRE considers that all of the capacities marketed through auctions must be offered for sale before the date on which DGEC plans to verify whether the level of subscriptions necessary for the security of supply has been reached. In the absence of regulatory texts and in keeping with the start of the injection campaign, at this stage, CRE has selected the date of 31 March.

CRE therefore plans to manage the division of the volumes of products marketed through auctions before 31 March in the following way:

- before the end of December, for each storage product and for each operator, 25% of the marketed volumes must have been put up for auction;
- by the end of February, 100% of the marketed volumes must have been put up for auction.

Any unsold capacities would be marketed throughout March.

Question 2: Are you in favour of the marketing schedule proposed by CRE, spanning from 1 November to 31 March?

4. Marketed products

4.1. Numbers and characteristics of the products marketed through auctions

4.1.1. Mechanisms of the auctions

The current offers of Storengy and TIGF respectively comprise 6 and 3 standard products known as "catalogues", with different performances, i.e. 9 products in total. These products are composed of a combined volume, injection and withdrawal capacities (products known as "bundles"). The characteristics of these products, in particular the withdrawal rate, vary according to the geological nature of the sites and the operators' choice of commercial regrouping or segmentation. These products correspond to the basic offer of the storage operators and represent all of the marketable volumes.

In the context of remarketing operations, after the "catalogue" product allocation phase in January-February, Storengy auctions off an entire range of specific products, in particular products referred to as "unbundled" (only additional volume) and simplified products (without reduction factors⁴ or tunnels⁵). TIGF has not carried out remarketing operations in recent years.

⁴ For the catalogue products, reduction factors apply: the daily injection and/or withdrawal capacity for a given day is based on the customer's stock level (which reflects the available performances of the storage sites).

⁵ For standard products, the stock of each customer must adhere to a system of pre-defined thresholds. These thresholds correspond to a range of stock to respect on a given date: the stored gas should be between a minimum and a maximum level.

4.1.2. Summary of the workshops organised by CRE

Number and types of product

During two workshops held by CRE, the majority of the market players were in favour of either maintaining the current product offer, or reducing the number of products. Some are in favour of rationalising the offer because they believe that the market will have little desire for "slow products" and propose to regroup these with "fast products" to improve their attractiveness. Others highlight the operational difficulties and the complexity associated with participation in auctions relating to a high number of products.

TIGF and Storengy would like to auction off a larger range of products than their current "catalogue" product offer, in order to offer innovative products likely to attract varied players.

Structuring with the last resort obligation

In the context of the workshops, many contributors asked for the storage operators to be free to market their storage products once the level of subscriptions necessary for the security of supply defined by decree has been reached.

If this level of subscriptions is not reached, the draft order provides that last resort obligations are established for the suppliers, who will have a period of one month in which to subscribe the missing capacities, at a penalised price. The majority of the actors requested that the products marketed in the case of enforcement of the last resort obligation are identical to those offered during the first auction marketing phase, with the exception of those which have been fully subscribed.

4.1.3. CRE's preliminary analysis

Number and types of product

CRE considers that the definition of the product offer must enable a good compromise to be guaranteed between:

- standard products likely to interest a maximum number of players to guarantee the smooth functioning of the auctions;
- products that meet the specific needs of certain players.

For this reason, CRE proposes limiting the number of standard products to a number close to that which is currently proposed, i.e. an average of 3 per balancing region (GRTgaz North, GRTgaz South and TIGF), i.e. 9 in total. The characteristics and the marketed capacities associated with the standard products will be communicated to CRE by the operators when they submit their proposals for the marketing rules. The characteristics of the standard product will not change during the marketing operation.

If, at the end of a round of auctions, it appears that the market has little interest in a product, during the next round, the storage operators would be able to assign the marketed storage capacities associated with this product to other standard products, without modifying the characteristics of the marketed products.

Question 3:	Are you in favour of CRE's proposal concerning the implementation of a limited number of standard products marketed through auctions before 31 March?
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Question 4:	Are you in favour of the proposal to leave the operators the possibility to change the marketable capacities associated with different standard products between rounds of auctions, without modifying the characteristics of these products?
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CRE considers that these standard products must represent the majority of the volume and that, in particular, they must be sufficient to enable the level of subscription necessary for the security of supply defined by decree to be reached.

At this stage of the analysis, CRE plans to force the storage operators to market at least 90% of their capacities in the form of these standard products.

For the remaining volumes, considering that the storage operators are the most capable of defining the products that attract players with specific requirements, CRE plans to leave the storage operators free to offer the specific products that they wish to market.

Question 5: Are you in favour of CRE's proposal to leave the storage operators free to define the characteristics of their products, for capacities limited to 10 % of their total capacities before 31 March?

Structuring with the last resort obligation

i. Case in which the level of subscriptions necessary for the security of supply has been reached

After 31 March, if the level of subscriptions necessary for the security of supply has been reached, CRE believes that the storage operators should be free to define the characteristics of the products that they wish to auction off.

Indeed, CRE believes that the storage operators are the most capable of defining the products that will enable the subscriptions and the revenue from the auctions to be maximised. In addition, it plans to implement an incentive regulation to encourage the operators to maximise their revenue and therefore to minimise the compensation of the difference between the authorised revenue of the storage operators and the revenue collected from the auctions.

In order to provide visibility to the stakeholders, CRE believes that 10 days before the start of the marketing of a specific product, storage operators should communicate the characteristics of the product to the market.

Question 6: In the case that the level of subscriptions necessary for the security of supply is reached, are you in favour of the CRE's proposal to leave the storage operators free to define their products after 31 March?

ii. Case in which the level of subscriptions necessary for the security of supply has not been reached

After 31 March, if the level of subscriptions necessary for the security of supply has not been reached, CRE believes that the implementation of individual obligations for the suppliers should not, under any circumstances, interrupt the marketing process of the storage capacities. It believes that if this falls under the responsibility of the government, the implementation of the financial penalty provided for by the draft order should not result in a different allocation process for the obligated suppliers, distinct from the remaining marketing of the storage capacities which must continue for all of the market players.

However, in order to simplify the process for the suppliers, at this stage, CRE believes that in the event that the minimum level of subscriptions necessary for the security of supply has not been reached, the storage operators should continue to market standard products, at least up to the limit of the additional capacities required to reach this level.

The capacities that should continue to be marketed in the form of standard products should be divided between the storage operators based on their respective quantities of unsubscribed capacities.

In addition, the division of the capacities offered between these different standard products should be made based on the same proportion as for the volumes of capacity that remain unsold at the time of verification by the government of the level of subscriptions necessary for the security of supply.

Finally, for the remaining available capacities, CRE is in favour of the storage operators freely defining their storage products from 31 March. As previously indicated, it believes that the storage operators are the most capable of defining the products that will enable the subscriptions and the revenue from the auctions to be maximised. In addition, it plans to implement an incentive regulation to encourage the operators to maximise their revenue and therefore to minimise the compensation of the difference between the authorised revenue of the storage operators and the revenue collected from the auctions.

In order to provide visibility to the actors, CRE believes that 10 days before the start of the marketing of a specific product, the storage operators should communicate the characteristics of the product to the market.

- Question 7: In the case that the level of subscriptions necessary for the security of supply is not reached, are you in favour of the operators reserving part of the capacities in the form of standard products up to the limit of the additional capacities required to reach this level of subscriptions necessary for the security of supply after 31 March?
- Question 8: For the remaining available capacities, are you in favour of CRE's proposal to leave the storage operators to freely define their products after 31 March?

4.2. Marketing of multi-year products

4.2.1. Summary of the workshops organised by CRE

In the context of the workshops, a vast majority of the players declared that they were in favour of the marketing of capacities for multi-year periods. This will help the level of subscriptions necessary for the security of supply to be reached and therefore limit the risk of enforcement of the last resort obligation. In addition, the sale of multi-year capacities has the advantage of better aligning the term of storage contracts with the term of the supply contracts proposed to the customers of the French market.

However, the majority of the players believe that the marketing of multi-year capacities can only be envisaged for a limited portion of the total capacity marketed and subject to the maturity of the most liquid gas wholesale markets, i.e. 3 years. Indeed, on the one hand, the players wish to have annual capacities to be able to revise their subscriptions based on their modulation needs, which change from one year to the next, and on the other hand, they wish to have liquid market storage capacities enabling them to hedge the quantities of gas concerned at the time of their subscriptions.

Finally, certain contributors are not in favour of the sale of multi-year capacities for the first year, either because they believe that the new system will not yet be mature, or because they want to wait for the single marketplace to be implemented in France in 2018.

4.2.2. CRE's preliminary analysis

CRE is in favour of the marketing of multi-year capacities, which enables the security of supply objectives to be achieved and which is conducive to improved functioning of the market, by giving more visibility to shippers and storage operators.

CRE proposes favouring the marketing of capacities in the form of year-long products for the next three years, N+1, N+2 and N+3, rather than marketing in the form of bands with an equal duration of 3 years. This solution offers more flexibility to the subscribers, who will be able to resell their capacities more easily on the secondary market.

For the first year of auctions, the CRE plans to limit the portion of annual capacities auctioned off for the years N+2 and N+3 to 20% of the total capacity for each storage product. This proportion could be adjusted thereafter based on feedback.

- Question 9: Are you in favour of CRE's proposal relating to the marketing of multi-year capacities?

5. Implementation of auctions

5.1. Marketing of standard products in batches

5.1.1. Marketed volume

Several methods of implementation of auctions are possible:

- marketing all of the available capacities at the same time from the 1st round of auctions. The following rounds of auctions enable the unsold capacities to be marketed;
- marketing the capacities in batches, the size of which could be defined by considering the liquidity of the markets.

5.1.2. Summary of the workshops organised by CRE

In the context of the workshops, a vast majority of the players declared that they were against the marketing of all of the available capacities at the same time. The majority of them are in favour of the sale of capacities in batches, to enable the players who subscribe storage to hedge the subscription of the storage at the same time, without being restricted by the liquidity of the gas market.

Certain contributors are requesting a sequence of auctions of products with different performance levels. This would enable them to find out their level of allocation of fast (or slow) products before submitting their offers for slow (or fast) products in order to adjust their request appropriately, where applicable.

In addition, the storage operators are requesting the standardisation of their auction dates.

5.1.3. CRE's preliminary analysis

CRE shares the market players' preference for the sale of capacities in the form of lot, in order to enable the players to hedge on the markets when they subscribe capacity, if they so desire. It proposes that the marketing in batches apply to standard products, which represent the majority, or even the totality, of the capacities necessary for security of supply. The maximum size of the batches could be set at 10 TWh, for example.

CRE believes that, for each auction window, all of the standard products should be offered for sale in a proportion that will be set by the storage operators based on the liquidity of the market and the constraints relating to the division of volumes. This would enable the different needs of the various players to be met.

In addition, it believes that for each product, the storage operators should communicate the capacities offered for auction one week before each round of auctions.

Finally, CRE plans to ask the operators to propose common marketing dates in order to limit the number of days of auctions.

Question 10: Do you share CRE's preference for the marketing of standard storage products in batches?
Question 11: Are you in favour of the rules for the creation of batches proposed by CRE?
Question 12: Are you in favour of CRE's proposal to standardise the auction schedules between the storage operators?

5.2. Mechanisms of the auctions

5.2.1. Presentation of the auction processes

Several auction processes could be considered for the sale of storage capacities:

- ascending auction: announcement of the starting price (at the reserve price if it is public, but this is not mandatory); then this is increased until the demand is lower than the supply;
- price-fixing auction: the players send their demand / price curves to the operators for each storage product;
- descending auction: announcement of a high starting price, which is then decreased at each round of the auction until the demand exceeds the supply.

In each of these auction processes, the purchase price could be the same for all the players (*pay as cleared*) or may be fixed at the level of their offer (*pay as bid*).

Finally, Storengy and TIGF propose that the purchase price of the capacities in the auctions could be indexed over the summer/winter spread for a period lasting from one week to one month immediately after the end of the auctions, so that the subscribers can be protected against the risks of spread variation between the start and the end of the auctions but also to limit the risk that the subscribers hedge on the markets at a time when liquidity is low.

5.2.2. Summary of the workshops organised by CRE

During the workshops conducted by CRE, the players expressed divided opinions between the implementation of an ascending bidding system, which has the advantage of simplicity and consistency with the mechanism used for the sale of transport capacities on PRISMA, and the implementation of a price-fixing auction which enables the duration of the auction to be reduced, in particular in cases in which several products are offered simultaneously.

Finally, a vast majority of the players believe that each auction window should be short (less than one day), in order to prevent the market conditions from changing between the start and end of the auctions.

In addition, the majority of the players declared that they were in favour of an identical purchase price for all of the players (*pay as cleared*), to guarantee non-discrimination between the players. TIGF and Storengy favour a descending auction or price-fixing mechanism, and a "*pay as bid*" sale because they believe that this would lead to a maximisation of the revenue from the auctions.

Finally, ENGIE proposes an [auction mechanism](#)⁶ with a minimum of 2 rounds and a maximum of 5 rounds.

During the first round, the participants submit pairs (volume, price). The volumes represent commitments for the duration of the auction and the prices can only be increased. The total volume offered for sale is known at the start of the auction:

- In the case that the demand does not reach the level of the supply during the first round, a second round is organised and the reserve price remains unchanged. If the demand does not reach the level of the supply during the second round, the quantities are allocated at the reserve price;
- In the case that the demand exceeds the supply, the maximum price that enables the demand to be met for the previous round becomes the reserve price for the following round (ascending price). The starting price for the following round and the volumes requested for each round are communicated to the participants. The participants can increase their prices between each round. This mechanism allows those who had requested a price lower than the reserve price to catch up during the following round by offering a higher price. The volumes are allocated during the fifth round with a "pay as cleared" sale.

A majority of the contributors are opposed to the indexing of requests over a market spread, in particular

⁶ <http://www.cre.fr/media/fichiers/reseaux/13-mai-2016-presentation-engie>

because they need to know the price at which they are bidding, due to the prudential regulations in force in many companies.

5.2.3. CRE's preliminary analysis

At this stage, CRE agrees with the analysis expressed by most of the market players: an auction sale at the same price for all of the players, referred to as "*pay as cleared*", guarantees better conditions of transparency and non-discrimination and is likely to maximise the subscription of capacities during auctions, by attracting more participants. In addition, given the complexity of the pricing strategies that the players would implement in the context of a "*pay as bid*" situation, CRE does not agree with the analysis of TIGF and Storengy, according to which "*pay as bid*" enables the revenue from the auctions to be maximised.

Concerning the auction system to be implemented for the marketing of capacities, CRE first of all considers that this must be standardised between the storage operators.

It notes that:

- the ascending bidding system has the advantage of simplicity and being known by most market players since it is the mechanism used for the marketing of gas transmission capacities on the European PRISMA platform. However, in the case of an incorrect configuration of the auction system, this method could lead to a long period of marketing;
- *the price-fixing* auction system is simple and enables the marketing period to be reduced in comparison with the ascending bidding system. However, it does not allow participants to follow one another, in order to gradually discover the market price;
- the auction mechanism proposed by ENGIE enables the event to take place over one day and allows the participants to follow the lead of one another. However, this mechanism is little-known among the market players and could be complicated to implement in the first year.

CRE believes that in order to guarantee the smooth functioning of the auctions, the auction mechanism must enable a simple and quick allocation of the capacities. At this stage, it believes that a *price-fixing* auction is the most effective mechanism to achieve this dual objective.

Finally, CRE takes note of the fact that many players are not in favour of the indexing of requests over a market spread. In addition, it notes that marketing in batches, the size of which is defined based on the liquidity of the market, will enable players to hedge on the markets at the time they subscribe the capacity. At this stage, CRE does not plan to index the auction purchase price of the capacities on the basis of a market price.

- Question 13: Do you agree with CRE's preference for an auction sale at the same price for all of the players, known as "*pay as cleared*"?
- Question 14: Do you agree with CRE's preference for an auction based on a quantity/price curve submitted by each participant, known as *price-fixing*?
- Question 15: Do you agree with CRE's analysis concerning the indexing of requests on the summer/winter spread?

6. Publication of the reserve price

6.1. Method of fixing the reserve price

The draft order provides that "*the methodology for the fixing of reserve prices per type of storage products is decided by the ministers (...) after consulting CRE*" and that "*CRE monitors the implementation of the methodology (...)*".

In its opinion of 10 March 2016 regarding the draft order, CRE indicated that the reserve prices could not be separated from the auction rules and that these rules could only be assessed and defined as a whole. Consequently, the reserve prices should be submitted to CRE by the operators.

6.2. Summary of the workshops organised by CRE

Concerning the publication of the reserve price, all of the participants, with the exception of the storage operators, believe that the reserve prices, or at least the method of determining these prices, should be published prior to the marketing. Storengy and TIGF believe that the reserve prices should be kept confidential, in order to reveal the true value of the storage for suppliers by promoting competition over the products.

6.3. CRE's preliminary analysis

Concerning the publication of the reserve prices, CRE believes, at this stage, that the transparency of the auction process is necessary to encourage a maximum number of players to participate in the auctions.

At this stage of the analysis, the CRE considers that in the context of a price-fixing auction mechanism, the reserve price could be kept secret but the methodology for determining this price should be publicised.

Question 16: Are you in favour of the CRE's proposal consisting of publicising the methodology of the reserve price but keeping the reserve price confidential prior to the auctions?

7. Marketing platform

7.1. Summary of the workshops organised by CRE

The majority of the participants in the workshops consider that the choice of the marketing platform does not constitute a major point of the reform of the marketing of storage capacities.

Certain participants, including TIGF and Storengy, are in favour of the use of an existing platform. Many participants, including TIGF and Storengy, are actually in favour of a common platform between the two operators.

7.2. CRE's preliminary analysis

Like the majority of the participants, CRE believes that the marketing platform should be common to both operators, to enable the costs to be limited and to simplify the entire process for the market players.

Finally, it considers that the development of the marketing platform must not under any circumstances delay the marketing of the capacities through auctions for the 2017-2018 campaign. If it is not ready by the deadline, the storage operators should be able to function in downgraded mode.

8. Additional comments

Question 17: Do you have any comments?

9. Reminder of the questions

- Question 1: Do you agree with the general approaches proposed by CRE?
- Question 2: Are you in favour of the marketing schedule proposed by CRE, spanning from 1 November to 31 March?
- Question 3: Are you in favour of CRE's proposal concerning the implementation of a limited number of standard products marketed through auctions before 31 March?
- Question 4: Are you in favour of the proposal to leave the operators the possibility to change the marketable capacities associated with different standard products between rounds of auctions, without modifying the characteristics of these products?
- Question 5: Are you in favour of CRE's proposal to leave the storage operators free to define the characteristics of their products, for capacities limited to 10 % of their total capacities before 31 March?
- Question 6: In the case that the level of subscriptions necessary for the security of supply is reached, are you in favour of the CRE's proposal to leave the storage operators free to define their products after 31 March?
- Question 7: In the case that the level of subscriptions necessary for the security of supply is not reached, are you in favour of the operators reserving part of the capacities in the form of standard products up to the limit of the additional capacities required to reach this level of subscriptions necessary for the security of supply after 31 March?
- Question 8: For the remaining available capacities, are you in favour of CRE's proposal to leave the storage operators to freely define their products after 31 March?
- Question 9: Are you in favour of CRE's proposal relating to the marketing of multi-year capacities?
- Question 10: Do you share CRE's preference for the marketing of standard storage products in batches?
- Question 11: Are you in favour of the rules for the creation of batches proposed by CRE?
- Question 12: Are you in favour of CRE's proposal to standardise the auction schedules between the storage operators?
- Question 13: Do you agree with CRE's preference for an auction sale at the same price for all of the players, known as "*pay as cleared*"?
- Question 14: Do you agree with CRE's preference for an auction based on a quantity/price curve submitted by each participant, known as *price-fixing*?
- Question 15: Do you agree with CRE's analysis concerning the indexing of requests on the summer/winter spread?
- Question 16: Are you in favour of the CRE's proposal consisting of publicising the methodology of the reserve price but keeping the reserve price confidential prior to the auctions?
- Question 17: Do you have any comments?

The CRE would like to invite all interested parties to send their input by no later than 8 July 2016:

- by email to: dr.cp6@cre.fr;
- by post to: 15, rue Pasquier - F-75379 Paris Cedex 08.

The CRE will publish non-confidential contributions, subject to respecting privacy and confidentiality as required by law.

Please indicate in your response whether you wish your response to be considered as **confidential or anonymous**. Otherwise, your contribution will be considered not confidential and not anonymous. Interested parties are invited to send their observations justifying their positions.