



SOUTH GAS REGIONAL INITIATIVE

MARKET CONSULTATION ON THE DEVELOPMENT OF GAS INTERCONNECTION CAPACITY BETWEEN FRANCE AND SPAIN

SUMMARY OF RESPONSES AND REGULATOR'S CONCLUSIONS

From 14 November to 12 December 2008, CNE and CRE carried out a market consultation on the future design of open seasons for the development of gas interconnection capacity between France and Spain. 18 answers were received from transmission system operators and market players. This document provides a summary of responses and the conclusions drawn by regulators in view of settling the open season procedures.

Summary of the responses

1. The answers regarding the preferred transportation scheme for the Eastern axis are mixed. A majority of shippers would agree with a mix between the three-steps scheme (Enagas <> TIGF <> GRTgaz South) and the direct link (Enagas <> GRTgaz South) under certain conditions, whereas 3 shippers reject this solution. 5 shippers propose organisation schemes based on an increased cooperation between TIGF and GRTgaz. 5 shippers support the three-steps option (Spain <> TIGF <> GRTgaz South) whereas 5 other shippers are in favour of a direct link between Enagas and GRTgaz South.
2. Some respondents fear a distortion between the Eastern and the Western axes due to tariffs differences and thus recommend to set equal tariffs, while, on the contrary, some others want the differences of costs and services of the two axes to be reflected in the tariffs of the two axes.
3. Respondent's view is that the open season for the Eastern axis (2015) should be launched regardless of the results of the open season for the Western axis (2013). Most of the respondents do not want both open seasons to be simultaneously launched. Shippers in favour of simultaneous open seasons want to have the possibility to make conditional bids in the open season for the Eastern axis, depending on the results of the open season for the Western axis.
4. Respondents wish tariff visibility to be enhanced and make some proposals for this.
5. A majority of respondent is in favour of 10-years commitments for both open seasons.
6. Concerning the capacity allocation methodology to be used in both OS, pro-rata is preferred by a majority of respondents. Many respondents propose some criteria for prioritizing capacity requests based on the capacity requests duration and on their starting date. Many respondents also want to have the possibility to totally or partially renounce the allocated capacity.

Regulators' conclusions

1. The answers regarding the preferred scheme for the Eastern axis show that, on the one hand, there is no majority either for the three-steps option (Spain <> TIGF <> GRTgaz South) or for the direct link (Enagas <> GRTgaz South). On the other hand, a majority of shippers would agree with a solution based either on a mix between the two first options or on an increased cooperation between TIGF and GRTgaz. Regulators are committed to undertake all necessary actions, in cooperation with TSOs, in order to timely launch the two open seasons, in accordance with the earlier planning of the South GRI
2. In accordance with indications provided earlier within the South GRI, the binding phase of the open season for the Western axis (2013) and the non-binding phase of the open season for the Eastern axis (2015) should be launched at the same time. For the non-binding phase of the open season for the Eastern axis (2015), shippers will have the possibility of making conditional bids, reflecting different scenarios for the final results of the open season for the Western axis (2013).
3. In order to address the concerns expressed by respondents, regulators will ensure that no undue distortions occur between the Eastern and the Western axes because of tariff differences.
4. In order to enhance tariff visibility, tariff principles for the interconnections will be established on a basis of transparency, cost-reflectivity and non-discrimination between national transmission and transit. Tariff principles and setting rules will be published in advance.
5. When allocating capacity, priority will be given to commitments of ten years and more. A part of the available capacity will be reserved for short term contracts.
6. In order for shippers to be able to partially renounce or possibly totally renounce the capacity allocated during the binding phase of the open season, there will be two allocation rounds in the binding phase of the open season.