

# Public consultation

Paris, 30 April 2009

## **Public consultation carried out by the French Energy Regulatory Commission (*Commission de Régulation de l'Énergie – CRE*) on the access to natural-gas transmission networks in France and on the development of gas interconnections with Spain**

The entry and exit system by balancing zone recommended by European regulators and used by the CRE to set prices for natural-gas transmission in France contractually divides the territory into balancing zones reflecting the physical congestion on the network.

Within each balancing zone, shippers may transport their gas without restriction. This enables shippers to arbitrate between their different sources of gas supply and to access a large consumption area and end consumers to benefit from the most competitive gas supply at a given moment.

In addition, each balancing zone acts as a market place, the liquidity of which plays a major role in attracting new market players and in creating an alternative procurement source for suppliers.

Since 1 January 2009, the contractual structure of the French H-gas transmission network has been based on a series of three balancing zones. Two of these zones, North and South, are operated by GRTgaz and the third by TIGF. The network structure has required significant investments by the two transmission system operators (TSOs), and the way in which it functions has been subject to an extended process of consultation with all market players, initiated by the CRE at the beginning of 2007.

Although the new structure is unequivocally an improvement, two significant problems remain:

- shippers with no entry capacity from the Fos LNG terminals still have only limited access to the south of France;
- the definition of a contractual framework for developing interconnections with Spain, particularly on the Eastern axis, turns out to be difficult

Since November 2008, the CRE has worked with transmission system operators (TSOs) and market players to identify solutions to these problems. For that purpose, a consultative body dealing with transportation on French gas-transmission networks, "Concertation Gaz"<sup>1</sup> (*Gas Consultation*), has been created.

The CRE wishes to carry out a public consultation to present the conclusions from this work, and to receive the observations of all market players on the proposed solutions.

Pursuant to the public consultation, the CRE will publish the tariff structure which may come into force from 1 April 2011 after proposition to the Ministers for Energy and for the Economy.

Interested parties are invited to answer the questions at the end of this document, **at the latest by 29 May 2009.**

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<sup>1</sup> « Concertation Gaz » (Gas Consultation) : CRE deliberation of 18 September 2008 concerning the creation of a discussion group on the rules governing transportation by the gas transmission networks.

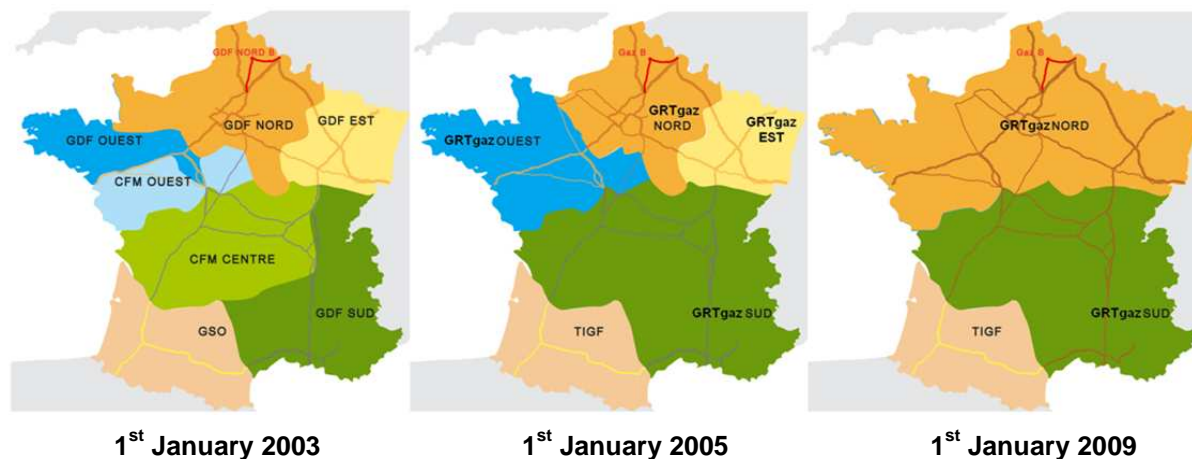
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# 1. Background

## 1.1. The organization of transmission in France

The contractual structure in operation since 1 January 2009 is the result of a gradual evolution during which the number of balancing zones has been reduced from eight to three.



The structure is defined in the Administrative Order from the Ministers for Energy and for the Economy dated 6 October 2008, approving the tariffs proposed by the CRE on 10 July 2008.

### a) Congestion in the gas transmission network at the link between North and South

GRTgaz has invested significantly to reduce congestion in the northern part of its network and to create the large North zone, resulting from the merger of the previous West, East and North zones. GRTgaz and TIGF have also made major joint investments to extend the capacities of the Guyenne pipeline, reducing congestion at the interface between the two TSOs' networks. Nevertheless, the French network is still significantly congested between the north and south of the territory, demonstrated contractually by the two balancing zones remaining on the GRTgaz network, separated by the North-South link.

The marketable capacities at this link are limited and most are interruptible, with 230 GWh/day of firm capacity and 220 GWh/day of interruptible capacity. It will not be possible to develop new firm capacity (an increase of 200 GWh/day) before 2015.

In its decision of 25 October 2007, the CRE, after consulting market players, defined the rules for allocating capacities at this link.

In addition, in order to optimize the use of capacity at the North-South link, a short-term "use it or lose it" (UIOLI) mechanism was introduced on 1 January 2009.

When GRTgaz started marketing available firm capacity at the North-South link at the beginning of 2008, shippers' demand from the North to South direction has been seven times greater than the marketed capacity. Allocation has significantly increased the number of shippers with access to the capacity (21 subscribers), but the allocation rule, based on a pro-rata mechanism, has allotted shippers capacities that fall well short of their demands.

### **b) Demand for a change to the transmission structure by 2011**

In October 2008, a group of suppliers (EDF, Poweo, Altermaz, ENI, Gazprom, Gas Natural and Eon) sent a letter to the CRE and the French Energy Ministry (*Ministère de l'énergie, de l'environnement, du développement durable et de l'aménagement du territoire, MEEDDAT*) setting out the difficulties in accessing the South zone:

- it is difficult to gain access to entry capacity to the South zone from the LNG terminals:
  - at the Fos Cavaou terminal, the regasification capacity is 90% subscribed for long-term by two shippers;
  - at the Fos Tonkin terminal, some regasification capacity is available, but the terminal can only be reached by small ships.
- entry to the South zone from the North-South link is congested: the new rules for allocating capacities from North to South have been successful in redistributing capacities between shippers, but they have also fragmented those capacities.

Based on these observations, the suppliers are requesting that the North and South zones on the GRTgaz network be merged by 2011.

### **c) Creating a consultative body dealing with transportation over the gas transmission networks in France**

In its decision of 18 September 2008, the CRE asked GRTgaz and TIGF to set up a consultative body, "Concertation Gaz", representing all market players, to consider transportation over the French gas transmission networks.

Concertation Gaz's first plenary committee meeting gathering the different sector players (suppliers, industrial consumers, traders, electricity generators, public authorities and the regulator) was held on 7 November 2008.

A work programme was defined at this meeting, covering six main topics:

- changes to the contractual structure of the natural-gas transmission network;
- adjustments to the balancing system;
- mechanisms for allocating transmission capacities and the secondary capacity market;
- the rules for electricity generating stations running on natural gas
- issues relating to connections;
- the development of TSOs' computer information system.

The Concertation Gaz Working Group on changes to the contractual structure of the natural-gas transmission network was officially launched on 15 December 2008.

## **1.2. Development of the interconnections with Spain**

### **a) A European project with high stakes**

The European Regulators' Group for Electricity and Gas (EREG) launched regional initiatives in Spring 2006, with the support of the European Commission. The priority for the South Gas Regional Initiative is to develop interconnections between France and Spain. The Initiative gathers stakeholders involved in the gas sector in Spain, Portugal and France, including TSOs, shippers, other market players and regulators.

The objective of the project is to enhance the integration of the Spanish, French and north-European markets, mainly via investments carried out on the basis of market tenders ("open-season"). This will help to promote competitiveness and secure the energy supply in France and the Iberian Peninsula.

In July 2007, the French and Spanish TSOs (TIGF, GRTgaz, Enagas and Naturgas) published a coordinated development plan for gas interconnections between France and Spain that aimed at strengthening the Western axis (Larrau and Biriadou) by 2013 and creating a new Eastern axis (Perthus) by 2015.

The development of the interconnections with Spain answers to strong market expectations. Indeed, in 2008, when capacity was marketed for the first time in Larrau, market demand exceeded the amount on offer. The project is also one of the European Commission's priority projects (TEN-E NG 2) and, as a part of the European recovery plan, will be granted €245 M, of which €200 M for the French side.

#### **b) Several possible contractual arrangements for developing the Eastern axis**

GRTgaz and TIGF have proposed a number of contractual arrangements for developing the Eastern axis. In practice, the investment required to develop this axis will not only cover infrastructures at the cross-border between France and Spain, but will also cover infrastructures reaching the GRTgaz's North zone.

Thus the planned development of the Eastern axis by 2015:

- will heavily involve the two French TSOs. In particular, GRTgaz will have to double the size of the Rhone pipeline ("Artère du Rhône");
- will provide for capacities in both directions between Spain and GRTgaz's North zone.

At the end of 2008, the French and Spanish regulators consulted market players on ways to develop interconnections between France and Spain, and in particular on the various options proposed by the French TSOs to develop the Eastern axis:

- serial links between the Enagas network, the TIGF zone and GRTgaz's South zone;
- a direct link between the Enagas network, the TIGF zone and GRTgaz's South zone;
- a mixed solution.



The 17 responses received to the public consultation did not indicate a clear preference of market players for one arrangement. Shippers were divided between a serial organization and a direct link. However, it appears that most of them favour coordinated capacity management at the interconnection between GRTgaz and TIGF.

### c) Marketing of long-term capacities through “Open Seasons”

The coordinated development of transmission capacities, flowing gas from Spain to GRTgaz’s North zone will be carried out on the basis of long-term commitments (10 years and more). This condition is a prerequisite for French and Spanish TSOs and for shippers who need a sufficient level of visibility on the whole gas transmission chain.

For that purpose, the existing allocation rules (CRE decision of 25 October 2007) applying to link capacities between the North zone and the South zone operated by GRTgaz as well as to the interface between GRTgaz South zone and TIGF should be adapted.

In the framework of their preparatory work, the TSOs propose to sell 80% of the total capacities (capacities between balancing zones in France included) under long-term contracts through “open seasons”. This rule will only be applied for the open season aiming at developing the Eastern axis in 2015 given that none of the link capacity from the GRTgaz’s North zone to the GRTgaz’s South zone will be marketed through the “open season” aiming at developing the “Western axis” in 2013.

The implementation of such a rule will lead to the marketing of the following capacities in the framework of the “open season” for the development of the “Western axis” in 2013:

Annual capacities from Spain → North of France:

(GWh/day)	Total marketable capacity	Of which marketed capacity through « open seasons »	Of which non-marketed capacity through « open seasons »
Spain → TIGF	225	<b>180</b>	<b>45</b>
TIGF → GRTgaz South	255	<b>204</b>	<b>51</b>
GRTgaz South → GRTgaz North	230	<b>184</b>	<b>46</b>

Seasonal capacities from Spain → North of France:

(GWh/day)	Total marketable capacity	Of which marketed capacity through « open seasons »	Of which non-marketed capacity through « open seasons »
Spain → TIGF ( <b>Summer</b> )	5	<b>4</b>	<b>1</b>
TIGF → GRTgaz South ( <b>Winter</b> )	5	<b>4</b>	<b>1</b>

Annual capacities from North of France → Spain:

(GWh/day)	Total marketable capacity	Of which marketed capacity through « open seasons »	Of which non-marketed capacity through « open seasons »
GRTgaz North → GRTgaz South	152	<b>0</b>	<b>152</b>
GRTgaz South → TIGF	297	<b>238</b>	<b>59</b>
TIGF → Spain	147	<b>118</b>	<b>29</b>

Seasonal capacities from North of France → Spain:

(GWh/day)	Total marketable capacity	Of which marketed capacity through « open seasons »	Of which non-marketed capacity through « open seasons »
GRTgaz South → TIGF ( <b>Summer</b> )	30	<b>24</b>	<b>6</b>
TIGF → Spain ( <b>Summer</b> )	5	<b>4</b>	<b>1</b>

### 1.3. Project timetable

The investments necessary to develop interconnections with Spain will be determined on the basis of shippers' long-term commitments (10 years and more). These commitments will be validated through open-seasons, the launch of which is currently planned for July 2009. For the smooth running of the open seasons, a sufficient level of visibility must be provided to shippers on the forecast price and on the design of long-term capacity products they can book. This information will be detailed in a specific "Information Memorandum" in June or July 2009 before open-seasons begin. Beforehand, the structure of the gas transmission structure in France must be clarified by 2013 and 2015.

Thus the CRE wishes to communicate, on the medium-term, on a clear structure of the French transmission system, before the start of the open-seasons for the development of Franco-Spanish interconnections. In this perspective, the CRE commissioned the Concertation-Gaz Working Group to report its conclusions at the latest by April 2009. The CRE has also worked with GRTgaz and TIGF on transmission organization in the South of France, in order to define an optimum contractual arrangement for developing the Eastern axis.

The CRE welcomes any observations from all market players on the proposals which resulted from this work and which are described below.

## 2. Proposals from the Concertation-Gaz Working Group

### 2.1. Setting up the Working Group in charge of studying changes to the contractual structure of the gas transmission network

The Concertation-Gaz Working Group was given the task of studying solutions that optimize access to the transmission network across French territory as a whole. Three areas of study were identified:

- access to GRTgaz's South zone;
- access to TIGF zone;
- access to GRTgaz's North zone (L-gas);

The participants in the Working Group were the following:

- gas-infrastructure operators (GRTgaz, TIGF, Elengy, STMFC and Storengy);
- shippers (Altegaz, EDF, EON, Gas Natural, Gazprom, GDF Suez, Rhodia Energy, Poweo and Total);
- end customers (UNIDEN);
- the MEEDDAT;
- the CRE

The Working Group was coordinated by the supplier EDF.

The Working Group started to work on the topic “Access to GRTgaz’s South zone”, with the objective of proposing ways of accessing the transmission network which would enhance the development of competition in the downstream gas market.

Roughly four months after the Working Group was launched, on 24 April 2009, it sent to the CRE a report summarizing its work, and presenting two possible solutions:

- merging the North and South zones on the GRTgaz network. This solution requires flow-commitment mechanisms from the LNG terminals at Fos, and a geographical balancing market;
- maintaining the North and South zones but re-organizing them by changing the capacity allocation rules at the entry points to GRTgaz’s South zone.

The Working Group did not succeed in reaching consensus on one of the two solutions, so the summary report also set out the main points on which its members differed.

The full report from the Concertation-Gaz Working Group is appended to this Public Consultation document.

## 2.2. Proposals from the Working Group

### a) *Merging the North and South zones on the GRTgaz network*



In its ten-year development plan published in June 2008, GRTgaz set out the initial estimate of the investment required to remove congestion and enable the North and South zones on its network to merge. The cost of this investment is high (of the order of €2,400 M), although part of it may be common to other projects that are currently under review. GRTgaz estimates that this merger could not take place before 2016-2017.

The Concertation-Gaz working group considered an alternative solution which would enable the North and South zones on the GRTgaz network to merge by 2011. The solution is based on regulatory and contractual arrangements, and relies on two mechanisms: the first is a commitment mechanism to unload minimum quantities of liquefied natural gas (LNG) in the terminals at Fos, and the second is a geographical balancing market.

The gas flow commitment mechanism would ensure that gas enters the transmission network directly in the South. If the North and South zones were to merge, GRTgaz would need such an undertaking to balance its network physically. Indeed, because of the congestion between the North and South of GRTgaz’s network, physically balancing a single zone requires adequate quantities of gas to arrive directly in the South. This option involves quantities of gas that in summer are close to the maximum physical transmission capacity on the transmission network at the Fos entry point, but in winter are significantly smaller. It would apply to shippers with long-term regasification capacities at the Fos LNG terminals, i.e. GDF Suez and Total.



The second mechanism, a geographical balancing market, gives GRTgaz an additional tool to balance its network in the short term, in particular if the current North and South zones are out of balance. This arrangement can be compared to the adjustment mechanism used by RTE to balance the electricity transmission network. It relies on a commitment by shippers to respond to requests from GRTgaz to inject or withdraw quantities of gas at defined points in the network.

#### **b) Adjusting the rules for accessing GRTgaz's South zone**

In parallel with the merger of the North and South zones, the Working Group reviewed an alternative solution in which the two zones were maintained and the rules for allocating South-zone entry capacities were adjusted so that each supplier would have available, on competitive terms, the capacities it needed to supply its downstream market.

The following are the main proposed adjustments to the allocation rules, which affect the capacity of the link from North to South and access to regasification capacity at the Fos Cavaou terminal:

- **Re-marketing firm entry capacities to the South zone at the North-South link, in exchange for conditional capacities**

Almost half the physical capacity at the link from North to South is now marketed as interruptible capacity. The Working Group's proposal releases firm capacities at the North to South link in exchange for conditional capacities, the availability of which can be controlled by their holder. The conditional capacities would replace the existing interruptible capacities and they would be backed by gas flows from the interconnection with Germany at Obergailbach, the LNG terminal at Montoir and the LNG terminals at Fos. Considering the conditions that must be met in order to manage the availability of conditional capacity, only GDF Suez would be able to assign conditional capacity in exchange for freed-up firm capacity, to a maximum of 100 GWh/day.

- **Changes to the rules for allocating entry capacities to the South zone from the North-South link**

The Working Group looked at a number of mechanisms aiming at optimizing the allocation of North capacity to the South, based on the individual shippers' needs. The main mechanisms were:

- defining priority rules amongst shippers;
- "standardizing" capacity allocation according to the needs of each shipper's portfolio of downstream customers (as for storage-right allocation);
- capacity auctions.

- **Changes to the rules for allocating regasification capacities for the LNG terminal at Fos Cavaou**

The Working Group proposed two changes to the existing allocation rules for the terminal at Fos Cavaou:

- introducing a system for releasable capacities;
- defining priority-access rules for short-term capacity.

### **3. A further proposal: optimizing access to transmission networks in the south of French territory**

#### **3.1. First optimization phase implemented on 1 January 2009**

In its communication of 21 March 2007, CRE asked GRTgaz and TIGF to set up a working group in order to consider improvements to the management of gas transportation in the south of France.

The conclusions from this Working Group have resulted in the following implemented improvements:

- a simplified interface between the GRTgaz and TIGF networks. Link capacities are all transferred to a single contractual interface between GRTgaz's South zone and the TIGF zone;
- a single product marketed at the interface between GRTgaz's South zone and the TIGF zone, combining entry and exit capacities for each network.

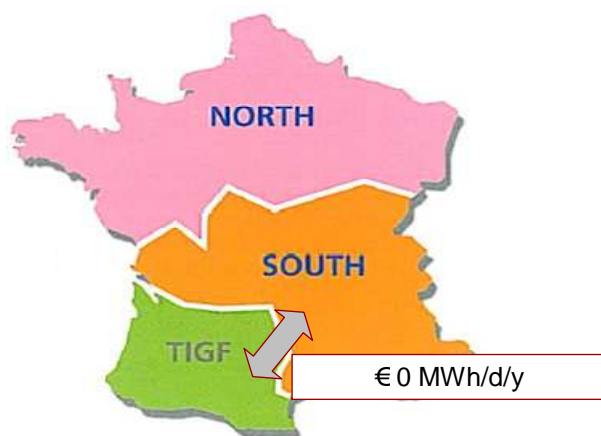
### 3.2. Proposal to continue this optimization

During the work on the development of the interconnections with Spain, it was evident that the GRTgaz and TIGF networks in the south of the territory were highly interdependent and that the large projects planned for this area were best managed using a global approach.

The CRE thus decided to initiate discussions with GRTgaz and TIGF to identify the optimal contractual arrangements to facilitate the development of these interconnections.

The planned arrangement maintains the existing structure in the south, with two balancing zones managed independently by GRTgaz and TIGF.

The main evolution is to remove the tariff charge for the link at the interface between the GRTgaz and TIGF networks. Indeed in its first phase, the development of the Guyenne pipeline has brought the capacity at the interface between the two networks to 325 GWh/day in the direction from GRTgaz South to TIGF and to 230 GWh/day in the direction from TIGF to GRTgaz South.



For shippers, this evolution means that:

- they continue to have an obligation to balance their portfolios for each balancing zone;
- the operational management of transportation and balancing in the south is simpler, because there are no restrictions of capacity on nominations at the interface between the two networks;
- the gas exchanges between the two zones TIGF and GRTgaz South are more fluid, and both zones' flexible resources (entry points, storage facilities and title transfer points) become accessible. Both changes help to the development of competition and market liquidity in the south;
- open-seasons are simpler, since there is no need to market long-term capacity bookings between the TIGF and GRTgaz South zones.

Such an organization in the south would enable the launch of the open-seasons for the interconnections with Spain on both axes in accordance with the provisional published timetable, and would also provide shippers with sufficient visibility on marketed capacities.

This arrangement guarantees the complete independence of each TSO in managing its network and its customer relationships. TIGF markets capacities at the Franco-Spanish interconnections for the Western (Biriadou and Larrau) and Eastern (Perthus) axes, whereas GRTgaz markets capacities at the North-South link and at the interconnection point with the LNG terminals at Fos.

The removal of the tariff charge represents a loss of revenue of around €27 M/year for each GRT. This loss must be transferred to other tariff charges.

This arrangement is associated with a mechanism that redistributes, under CRE supervision, revenue between GRTgaz and TIGF. Revenue from all entry and exit charges at interconnection points in the south of the territory and at the North-South link would be shared between the TSOs, according to the level of their investment. The basis on which revenue is divided evolves according to the commissioning of each TSO's investments.

If this arrangement is adopted, the two TSOs will have to carry out a technical review to identify any necessary changes to contracts for transmission-network access (in particular at interface points with storage facilities) and to propose practical means of managing the interface between the two networks (including nominations, allocations, and title-transfer points).

## **4. Analysis and observations formulated by the CRE**

The CRE notes that if any global change is made to the way in which access to the transmission networks is structured, a period of at least 18 months must be allowed between the decision and the time the decision becomes effective. This period enables the new procedures to be defined in detail and incorporated into TSOs' and shippers' contracts and information systems.

Thus any change planned for implementation in April 2011 must be announced at the latest during Summer 2009.

The status quo option excepted, two main alternatives appear feasible.

### **4.1. Merging the North and South zones on the GRTgaz network**

The CRE is in favour of simplifying the network's contractual structure, particularly by gradually reducing the number of balancing zones. For the electricity transmission network, it has implemented a "postage-stamp" tariff with a single national zone; for the gas transmission networks, it has on several occasions initiated changes which reduced the number of balancing zones from eight in 2003 to three in 2009.

The CRE considers it is important to continue to simplify the contractual structure to make the gas market function properly and benefit end consumers of gas in France..

However, the CRE recognizes that GDF Suez and Total underpin the entire system, and that they are not in favour of flow commitments at Fos. This undertaking is indispensable if the North and South zones are to be merged by 2011. The Working Group's analysis shows that the merger of the North and South zones would require several changes to regulation, in particular to restrict the gas flows from the LNG terminals at Fos and to extend GRTgaz's remit to monitoring the overall balance for France for all time horizons. Such regulatory changes exceed the scope of the CRE's mandate and powers.

Thus there are significant legal obstacles to implementing the proposal.

There are also some technical issues:

- the practicalities of zone merger must be analyzed in detail, to ensure they are technically feasible and do not compromise the safety of the French gas system. This is because the proposed solution fundamentally changes the organization and operation of the gas system; it also redefines the roles and responsibilities of the various market players and it increases their interdependence. The long-term viability of the arrangement also requires further evaluation, to ensure that the solution is resilient to any future changes to the gas transmission network;
- merging the North and South zones would remove the tariff charge at the North-South link and hence reduce GRTgaz's revenue by €73 M per year. This loss would have to be offset by a noticeable increase in the entry-exit tariffs on the main network. In addition, this change would mean that French consumers subsidize the transit, unless the tariff charges between France and Spain and between TIGF and GRTgaz are significantly increased, which is not desirable.

## 4.2. Adjusting the structure with three balancing zones

The existing structure may be adjusted in two ways simultaneously:

- the rules that apply to the interface between GRTgaz's South zone and the TIGF zone may be changed, as described in paragraph 3.2 above;
- the access rules for GRTgaz's South zone proposed by the Concertation-Gaz Working Group may be changed, as described in paragraph 2.2.b above;

These two adjustments are complementary and overcome the two problems that the French gas network faces today: access to the south of the territory and the development of interconnections with Spain.

### **a) Interface between GRTgaz and TIGF**

Adjusting the rules at the interface between the GRTgaz and TIGF networks by reducing the tariff charge to zero makes it simpler for shippers to move gas between the two networks, and thus contributes to further market liquidity in the south of France.

This change also has the advantage of guaranteeing each TSO's complete independence in managing its network and its relationship with its customers.

Introducing unrestricted nomination between the two networks simplifies the operational rules at the interface between the two zones and minimizes the risks of imbalance. Shippers can also optimize their portfolio management because they have access to all the entry points and storage points in the south of the territory.

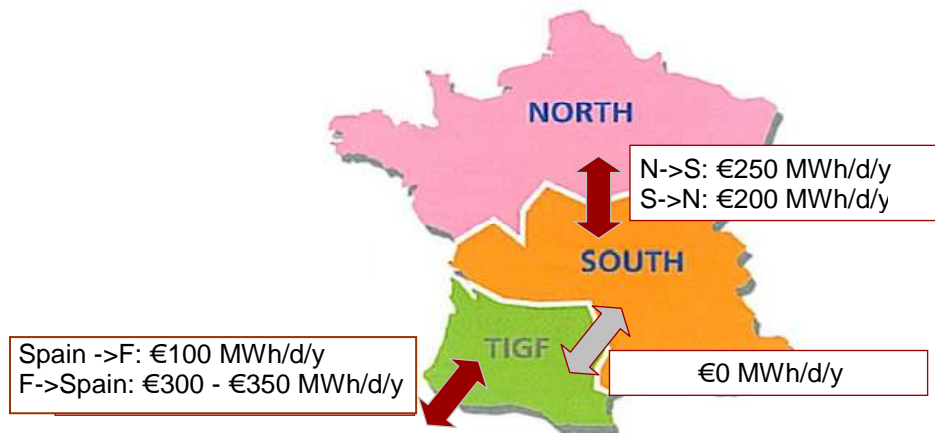
This change requires compensating GRTgaz and TIGF for the loss of revenue at the interface between the two networks, a total of around €54 M per year.

Assuming levels equivalent to those used by the CRE to define the tariffs in force from 1 January 2009, the first tariff simulations indicate the following changes to tariffs for periods up to 2011 (expressed in euros at 2009 values):

- an increase to the tariff charge at the North-South link. This will be of the order of €250 MWh/day each year in the North to South direction, and €200 MWh/day each year in the South to North direction;
- an increase to the tariff charge for exit to Spain, of the order of €300 - €350 MWh/day each year. This increase, combined with that for the North-South link, covers the cost of transport from the north of France to Spain;
- an increase to the tariff charges for entry to France, of the order of €100 MWh/day each year. By 2015, considering the investment programme planned on the main transmission network, the entry charges could rise to around €120 MWh/day each year.

In addition, the pricing rules that apply to entry and exit at transport-storage interface points (PITS) would require revision, in order not to distort competition between underground storage facilities. If it is decided that the tariffs at PITS should be entirely equalized, then in order to maintain the overall tariff revenue, charges should be set at €12 MWh/day each year for injection and at €15 MWh/day each year for withdrawal.

Lastly, the mechanism for redistributing revenues between GRTgaz and TIGF, which forms part of this change, enables each TSO to recover the revenue forecasted in transmission tariffs.



### **b) Conditional capacities at the link from North to South**

A system providing conditional capacity at the link from North to South, as described in paragraph 2.2.b) above, furthers the process of redistributing capacities between shippers. It liberates up to 100 GWh/day of firm capacity at the link from North to South until 2015, date when the investment necessary to create new firm capacities comes into operation. The capacity is available to shippers that have no other entry points to the South, apart from via the link from North to South. The volumes of firm capacity liberated could increase progressively up to 100 GWh/day, depending on the needs of GDF Suez and of other shippers in the south of France. Such a system could be introduced by a new tariff proposal from the CRE for transportation over the transmission networks.

The conditional-capacity mechanism could be combined with revised capacity-allocation rules at the link from North to South, in order to improve the match with shippers' actual needs, without necessarily going as far as the standardized capacity allocation applied to storage.

### **c) Capacities releasable at the LNG terminals**

As regards access to the LNG terminals, the CRE does not exclude introducing a system of releasable capacities in the next set of access tariffs for regulated LNG terminals. However, this mechanism, which has proved effective for access to gas transmission networks, appears difficult to adapt to LNG terminals. At this stage, we envisage that the rules could be as follows:

- the arrangement applies to any shipper holding more than 50% of the regasification capacity at a regulated LNG terminal;
- the tariff for releasable capacities is identical to that for the other regasification capacities;
- the arrangement is restricted to a level of regasification capacity of the order of 1 bcm per year for the terminal at Fos Cavaou and 2 bcm per year for the terminal at Montoir. Lots of 1 bcm are attributed to a single shipper (or consortium of shippers);
- the arrangement starts after a notice period of about 6 months, and the capacities are assigned to their new holder for 3 years;
- the recipient is obliged to use a high proportion of the capacity (greater than 80%). Penalties would be incurred if the obligation were not respected;
- the arrangement would cease if new regasification capacities were developed at the terminal concerned.

### **d) Other proposals from the Working Group**

The CRE is not in favour of auctioning capacity at the link between the North and South zones, because it could lead to increased gas prices for consumers in the south of France.

#### **4.3. Maintaining the current structure of access to the transmission networks**

The CRE considers that maintaining the status quo would send the wrong signal to the market overall, and be interpreted as the inability of the French gas system to respond to market needs, whether the development of interconnections with Spain or the improvement of access conditions in the south of France.

#### **4.4. Marketing of link and interface capacities in France under long-term agreement in relation to the “open seasons”**

The marketing of long-term capacities between the French balancing zones is a key element to be considered in the decision to develop capacities between the north of France and Spain. In addition, it corresponds to the request formulated by some stakeholders.

However, a sufficient proportion of capacities must be marketed under short-term contracts (the scope covered by the open seasons excepted) in order to enable a flexible and open third party access to the networks.

The CRE considers that the capacities currently sold for short-term and medium-term needs (from one to four years) should be maintained. Only the new capacities, as well as the freed-up capacities by historical contracts coming to an end, would be marketed on the long-term in the framework of the open seasons. However, a part of the existing capacities from GRTgaz South to GRTgaz North, of which the level of subscription is low, could be marketed on the long-term in the framework of the open season aiming at developing the Western axis.

The CRE underlines that any evolution of the tariff structure, as described above, would lead to a simplification of this issue by removing some of the currently proposed capacity products.

#### **4.5. Standpoint of the CRE**

At this stage of its analysis, the CRE considers that the solution that maintains the three-zone structure, with an adjusted management of the interface between the GRTgaz and TIGF networks and access rules for GRTgaz's South zone, appears the most acceptable.

It has the clear advantage that it alleviates the two difficulties in accessing the French gas transmission network that require immediate solution: simplifying the access to the south of the territory and developing the interconnections with Spain.

In addition, this option can be publicised and implemented in timescales that are compatible with the demand formulated by shippers (by 2011), and with the development calendar of interconnections with Spain.

After the public consultation, the CRE will announce its final standpoint in the perspective of the launch of open-seasons, planned for July 2009.

## **5. Questions**

The CRE invites interested parties to send their submissions by 29 May 2009 at the latest:

- by electronic mail to the address [webmestre@cre.fr](mailto:webmestre@cre.fr);
- by adding comments directly to the CRE website ([www.cre.fr](http://www.cre.fr)) in the section Publications / Public consultations;
- by letter addressed to 2, rue du Quatre Septembre - F-75084 Paris Cedex 02;
- by calling the Gas Infrastructures and Networks Directorate on +33.1.44.50.42.12;
- by requesting a hearing by the Commission.

The CRE will, subject to laws on confidentiality, publish a summary of the submissions. Please indicate in your response if you wish us to guarantee the confidentiality and/or anonymity of the information. Interested parties are invited to respond the following questions, giving reasons for their answers.

- Q1** What is your experience of the implementation on 1 January 2009 of the new transmission structure with three balancing zones?
- Q2** Do you agree with the analysis of the difficulties identified in accessing the gas transmission network in the south of France? Have you identified other constraints?
- Q3** What is your opinion of the proposal formulated by the Concertation-Gaz Working Group to merge the North and South zones on the GRTgaz network? How do you rate its feasibility?
- Q4** What is your view of the arrangement based on adjustments to the three-zone structure described in paragraph 4.2? If this arrangement were adopted, do you think it should be applied in 2011, or do you think it would be better to wait until 2013?
- Q5** In the event where the North and South zones operated by GRTgaz were not merged, would you prefer the adjustment of the three-zone structure as described in the paragraph 4.2 or the maintaining of the current structure?
- Q6** Do you think that the conditional-capacities system described in paragraph 2.2.b) is an effective response to the problems some shippers face in accessing the south of the territory?
- Q7** What is your view of the releasable capacity mechanism developed by the CRE for the regulated LNG terminals?
- Q8** If the arrangement in paragraph 4.2, based on adjustments to the three-zone structure, is adopted, would you be in favour of equalizing the tariff charges at PITS throughout the country? What is your opinion of the other proposed tariff changes that compensate for the revenue lost created by the removal of the tariff charge at the interface between the GRTgaz and TIGF networks?
- Q9** Do you support the marketing of a part of capacities between the French balancing zones on the long-term (ten years and more)? What do you think about the proposal formulated by the TSOs (paragraph 1.2.c) to sell 80% of these capacities under long-term agreements in the framework of the open season developing the Western axis? What is your opinion on the other option, described in the paragraph 4.4, consisting in not selling under long term agreement the new capacities?
- Q10** Have you any additional comments or other proposals?

## **6. Appendix: Report from the Concertation-Gaz Working Group**

(See document attached to the public consultation document)