

## Synthesis of responses to the public consultation of the French Energy Regulatory Commission (*Commission de régulation de l'énergie - CRE*) on developing firm natural gas transmission capacities from France towards Belgium

### Technical consultation report

From 17 February to 17 March 2010, CRE held a public consultation to collect market players' views on the creation of a new interconnection point with Belgium, focusing in particular on:

- the different types of capacities from France towards Belgium;
- the different technical solutions and the tariff principles envisaged;
- the Open Season procedure.

23 contributions were sent to CRE:

- 16 came from shippers or association representing them: Alpiq, BP, Direct Energie, Distrigas, EDF, EnBW, ENI, E.ON France, Gas Natural, GDF Suez Global Gas & GNL, Poweo, SPE Luminus, Statoil, Total Gas & Power, UPRIGAZ (*Union Professionnelle des Industries Privées du Gaz* – French federation of private gas companies) and Wingas;
- 5 came from gas infrastructure operators: Dunkerque LNG, Elengy, Fluxys, GDF Suez Branche Infrastructures and GRTgaz;
- 2 came from associations: AFG (*Association Française du Gaz* – French gas association) and UNIDEN (*Union des industries utilisatrices d'énergie* – French union of energy consuming industries).

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### **Question 1:**

**Do you see an interest for you in the development of firm physical capacities from France towards Belgium through the creation of a new interconnection point at Veurne?**

All stakeholders answered this question.

#### ❖ **Shippers**

Most shippers are in favour of the regulated interconnection project rather than the creation of an exempted direct pipeline.

Twelve shippers consider the project of interest for the French market and complementary with the Dunkerque LNG terminal project. Some request clarifications and comment as follows:

- three shippers think that the new interconnection should operate in both directions,
- two other shippers request clarification on the terms envisaged in Belgium,
- one shipper would like a flow commitment system to be considered at the same time.

Four shippers are not in favour of the project. Two of them believe that dominant gas flows go from Belgium to France. According to them, physical capacities from France to Belgium are therefore unnecessary and the creation of contractual capacities through a flow commitment system would be sufficient. Another shipper considers that the project is of interest on a European level but does not provide advantages for French consumers. According to this shipper, the costs of this new interconnection should therefore be only covered by its own users. Lastly, two shippers think that laying a new pipeline between France and Belgium should not call into question the principle of a single contractual interconnection between the two countries.


#### ❖ **Gas infrastructure operators**

One infrastructure operator stresses that the creation of firm capacity from France to Belgium is of significant importance for the Dunkerque LNG terminal. The option of access to the Zeebrugge hub would increase the infrastructure's attractiveness. Two other infrastructure operators are also in favour of the creation of a new interconnection point, insofar as the Open Season attests to sufficient market demand. According to them, this project would promote the integration of the French and North-West European markets.

Another infrastructure operator is in favour of the principle of a coordinated Open Season between GRTgaz and Fluxys, provided that the option of a flow commitment system is considered, allowing the creation of firm reverse capacity at Taisnières H by limiting investments.

Lastly, a fifth infrastructure operator is against the creation of a new interconnection point between France and Belgium, as the users of the Montoir and Fos Tonkin LNG terminals would not be able to access the new capacities in the same conditions as the users of Dunkerque LNG.

#### ❖ **Associations**



One association is in favour of the project to create a new interconnection point between France and Belgium, stating that it would improve the security of supply and market operations. However, this association mentions that the underlying issue of gas odourisation on the transmission network must be considered.

Another association is unsure of the interest of this project as reverse capacities are currently available at Taisnières H. In addition, it believes that this new interconnection point would only provide arbitrage opportunities to a small proportion of players and would not necessarily improve liquidity and competition on the French market.

**Question 2:**

**What do you think of the exit capacity products at the interconnection point of Veurne to be proposed during the Open Season between France and Belgium?**

Eighteen players answered this question: thirteen shippers, three gas infrastructure operators and two associations.

❖ **Shippers**

Shippers are divided with regard to the capacity products proposed in the public consultation.

Six shippers are in favour of the proposed scheme. Two would like as much capacity as possible to be accessible from the North PEG and the price differential between the capacity accessible from the LNG terminal and from the PEG to be reduced to a minimum.


Seven shippers are against the proposed capacity product scheme:

- for three shippers, the definition of firm capacity is questionable as these capacities depend on Franpipe gas flows. Some shippers are also unsure of the continuity of these flows in the future;
- two shippers also disagree with the definition of conditional capacity as the shippers present on the Dunkerque LNG terminal are in total control of the availability of this capacity;
- five shippers propose other possible schemes according to which Franpipe users receive equivalent treatment to those present on the Dunkerque LNG terminal or all shippers have access to the various types of capacity. One shipper thinks that all created capacity should be marketed as conditional.

❖ **Gas infrastructure operators**

One infrastructure operator is in favour of the proposed scheme.

Another operator has reservations with regard to the level of firm capacity that could be proposed from the North PEG to Belgium. According to him, it is necessary to consider aspects including the minimum flows delivered by Franpipe, local consumption in the Dunkirk region and the effects of maintenance on the



upstream networks.

A third infrastructure operator thinks that the creation of a specific product for the Dunkerque LNG terminal could distort competition between shippers (depending on whether or not they are present on this terminal), and between the Dunkerque LNG and Montoir terminals. In addition, this operator contests the conditional nature of the capacities proposed from the Dunkerque LNG terminal.

#### ❖ **Associations**

One association is in favour of the proposed capacity products as they reflect infrastructure operating requirements. However, it warns against a possible risk of distortion of competition favouring shippers present on the Dunkerque LNG terminal compared with the other shippers in the North zone.

A second association is against this scheme as the products proposed are not likely to significantly promote competition in France.

#### **Question 3:**

**What do you think of applying a proximity tariff to shippers transporting gas towards the new interconnection point at Veurne from the Dunkirk PIR or Dunkerque LNG terminal?**

Seventeen players answered this question: twelve shippers, three gas infrastructure operators and two associations.

#### ❖ **Shippers**


Shippers are divided with regard to the application of a proximity tariff.

Six shippers are in favour of such a scheme. Four believe that it would be an accurate reflection of the transmission costs over a short distance. Another shipper thinks that a proximity reduction is also justified by the avoided cost of deodorisation.

Six other shippers are against the creation of a proximity tariff. Four of these shippers are concerned that it would lead to distorted competitiveness between shippers to access North-European markets. Two shippers stress that this scheme does not correspond to the current definition of proximity tariffs. One shipper believes that this system would conversely affect North PEG's liquidity. Two shippers think that treating interconnection points on a case-by-case basis would be detrimental to the general entry/exit model.

#### ❖ **Gas infrastructure operators**

Two infrastructure operators are in favour of the proximity tariff as it would encourage the arrival of non-odorised gas, necessary to the project. These operators also think that the tariff applicable to capacities



from the LNG terminal should be comparable to the cost of a direct pipeline between the terminal and Belgium.

A third infrastructure operator states that no such scheme exists for any other network interconnection point (PIR). The operator believes that this scheme goes against the objective to standardise and facilitate access to PIRs. It also believes that such a tariff could introduce a distortion of competitiveness between the Dunkerque LNG and Montoir terminals.

#### ❖ Associations

One association is in favour of a proximity tariff, representing the short distance covered and the fact that the gas is re-exported directly without prior odorisation.

A second association is against the principle of a proximity tariff which would advantage the users of the Dunkerque LNG terminal, while the terminal is an exempted infrastructure.

#### **Question 4:**

**What do you think of the tariff difference applied to firm and conditional capacities?**

Fourteen players answered this question: ten shippers, three gas infrastructure operators and one association.

#### ❖ Shippers


The conditional capacity tariff is strongly debated by shippers.

Five shippers are in favour of the proposed difference in tariff principles. They believe in particular that the pressure provided by the terminal for the transmission network and the nature of conditional capacities justify a reduction in tariff.

Five shippers are against the proposed tariff reduction for conditional capacities. Four believe that conditional capacities are firm in practice because the shippers present on the Dunkerque LNG terminal are in total control of the conditions of interruption. Another shipper thinks that the tariff for the use of the transmission networks has never included such a reduction and furthermore, the shippers present on the Dunkerque LNG terminal must bear most of the costs related to this investment, as they are the ones who benefit the most.

#### ❖ Gas infrastructure operators

Two infrastructure operators are in favour of the difference in tariff between firm and conditional capacities. One believes that the tariffs of the different capacities must be representative of the investments they require. The other thinks that the longer commitment period, the pressure supplied by the LNG terminal to



the transmission network, the higher calorific value of LNG compared with gaseous gas and the conditional nature of capacities accessible from the terminal justify a reduction compared to the price of firm capacity.

A third infrastructure operator is against this difference in tariffs, which would create an imbalance between the Dunkerque LNG and Montoir terminals as the Montoir terminal would not be subject to such a scheme.

❖ **Associations**

One association is in favour of the difference in tariffs as it would be the result of technical send-out conditions that can be verified. This association stresses that the non-discriminatory implementation of this scheme must be monitored.

A second association is against the difference in tariffs, which would advantage the users of an exempted infrastructure.

**Question 5:**

**Do you support the considered tariff mode for the capacities developed through the deodorisation plant at Taisnières H?**

Fourteen players answered this question: eleven shippers, one gas infrastructure operator and two associations.

❖ **Shippers**

A large majority of shippers are against the deodorisation plant project.

Eight of the shippers who answered the question are against the project. According to them, the costs are too high and there are too many technical uncertainties with regard to the small quantity of firm capacities created. Three of these shippers believe that GDF Suez should renegotiate its commitment with the European Commission to create an interconnection point at Veurne or set up a flow commitment system rather than the deodorisation plant.

Only two shippers support the project, considering the investment spending and completion deadline acceptable.

One shipper simply states that it is in favour of the proposed tariff principles and five shippers believe that it is difficult to give an opinion on the tariff as the range of costs proposed by GRTgaz is insufficiently precise.

Three shippers stress that the price of firm capacities at Veurne should not be based on the avoided cost of the deodorisation plant.



❖ **Gas infrastructure operators**

One infrastructure operator is in favour of the tariff principles proposed in the public consultation as they reflect the cost structure.

❖ **Associations**

Two associations are against the proposed deodorisation plant. They believe that its relevance for the market and its acceptability by authorities have not been proven.

**Question 6:**

**Do you see an interest in setting a quota of short-term capacities at the Veurne interconnection point?**

Eighteen players answered this question: thirteen shippers, three gas infrastructure operators and two associations.

❖ **Shippers**

Twelve of the thirteen shippers who answered this question are in favour of setting a quota of short-term capacities.

Two shippers think that the new interconnection point at Veurne should be treated like all other interconnection points. Another shipper states that short-term capacities bring about more flexibility and encourage new entrants. Two shippers believe that the short-term firm capacities proposed at Veurne cannot be compared to the interruptible capacities from France to Belgium at Taisnières H. Lastly, one shipper would like all interconnection capacities to be marketed in the short term.

Only one shipper is against the creation of short-term capacities, insofar as their cost would be borne by French consumers, who do not benefit from the development of an exit point.

❖ **Gas infrastructure operators**

Two infrastructure operators are in favour of setting a quota of short-term capacities. For one of them, the shippers present on the Dunkerque LNG terminal are at an advantage to decide on booking long-term capacities. A quota of short-term capacities would prevent a discriminatory situation. The second infrastructure operator is in favour of the creation of short-term capacities, and believes that they will benefit all shippers present at the North PEG. For this reason, the operator thinks that their costs should be covered by being entirely shared.

A third infrastructure operator is relatively against the creation of short-term capacities as their development is uncertain in Belgium.



❖ **Associations**

One association is in favour of the creation of short-term capacities.

A second association is against this proposal as French consumers would not benefit from the development of short-term exit capacities.

**Question 7:**

**What do you think of the proposed Open Season procedure?**

Sixteen players answered this question: eleven shippers, three gas infrastructure operators and two associations.

❖ **Shippers**

Shippers are satisfied with the proposed Open Season procedure.

Eight shippers are in favour of the proposed procedure. They state the importance of compliance with GGPOS, of a transparent procedure and tariff visibility. Two shippers insist on the need for coordination between GRTgaz and Fluxys to complete this investment. Another shipper would like a joint economic test to be adopted by the two transmission system operators to decide on the investment. One shipper requests that booking commitments on the new interconnection point depend on the completion of the Dunkerque LNG terminal.

Three shippers are against the proposed procedure, mainly due to its timetable. One shipper states that the proposed deadlines are incompatible with its decision-making process. A second shipper believes that this procedure would lead to the flow commitment system not being fully studied. One shipper is against the principle of an Open Season for the development of an interconnection point at Veurne. According to this shipper, the investment is sufficiently limited to take the risk of only marketing short-term capacities, without booking commitments, which would secure the coverage of costs.

❖ **Gas infrastructure operators**

Two infrastructure operators are in favour of the proposed procedure. One believes that this procedure complies with GGPOS and that it will ensure transparent and non-discriminatory proceedings. It also states the importance of a non-binding phase. The second operator would like the booking commitments on the new interconnection point to depend on completion of the Dunkerque LNG terminal.

A third infrastructure operator is against the proposed procedure. This operator believes that the absence of short-term or releasable capacities and the tight schedule will not enable only shippers present on the Dunkerque LNG terminal to make long-term commitments.



## ❖ Associations

One association deems the proposed Open Season procedure satisfactory and in accordance with ERGEG rules.

A second association is against the procedure, stating that an Open Season is not appropriate if the new interconnection point is dedicated to an exempted terminal, the studies concerning the deodorisation plant are insufficient and the interactions with the Open Season between France and Spain which is currently taking place should be taken into consideration.

### **Question 8:**

**What do you think of the durations of the commitments which could be requested from the market?**

Thirteen players answered this question: nine shippers, three gas infrastructure operators and one association.

## ❖ Shippers

Shippers' opinions are divided with regard to the durations of the commitments proposed in the public consultation.

Four shippers are in favour. Two of them think that the longer duration of commitment requested for users of the LNG terminal must come with a reduction in tariffs. Another shipper states that a 20-year commitment duration applied to Dunkerque LNG terminal users would enable to cover the costs of the interconnection which will benefit them in particular.


Five shippers are against the proposed commitment durations. The principle of differentiated durations according to the provenance of the gas is called into question. Three shippers would prefer 10-year commitments for all shippers, as it is the case for other interconnections. Another shipper suggests that the commitment duration be lowered to five years. Lastly, one shipper requests that all capacities be marketed in the short term.

## ❖ Gas infrastructure operators

Two infrastructure operators agree with the commitment durations that may be requested. One believes that these durations must be consistent with:

- the durations requested from customers of the LNG terminal, for shippers wishing to transport gas from Dunkerque LNG;
- the durations usually requested from the development of other interconnection points, for other shippers.

This infrastructure operator also stresses the need for products of the same commitment duration and maturity to be proposed in France and in Belgium. The second infrastructure operator thinks that a longer commitment must imply lower capacity prices.



A third infrastructure operator is not in favour of the proposed commitment durations, considering that only the shippers present on the Dunkerque LNG terminal will be in a position to decide the capacity subscriptions for these durations.

❖ **Associations**

One association is in favour of different commitment durations for shippers transporting gas from the Dunkerque LNG terminal or from the North PEG. It considers, however, that the commitment durations for shippers present on the North PEG should be reduced to five years.

**Question 9:**

**What do you think of the envisaged timetable?**

Fifteen players answered this question: nine shippers, four gas infrastructure operators and two associations.

❖ **Shippers**

Shippers' opinions are divided with regard to the proposed timetable.

Four shippers are in favour of the proposed timetable. Three of them think that the Open Season must be coordinated with the Dunkerque LNG investment decision and that the France → Belgium interconnection must be commissioned at the same time as the terminal. A fourth shipper agrees with the timetable provided that it enables French and Belgian transmission system operators and regulators to work together and provide transparency to the market.

Four shippers disagree with the proposed timetable. For three of them, the timetable is too tight and does not leave time for the necessary impact studies.

One shipper requests that the timetable leaves time for an assessment of a flow commitment system.

❖ **Gas infrastructure operators**

Three infrastructure operators are in favour of the proposed timetable. One would like the new France → Belgium interconnection to be available as of the commissioning of the Dunkerque LNG terminal. The two other infrastructure operators consider the timetable to be ambitious and state that it could be subject to modification.

A fourth infrastructure operator is not in favour of the proposed timetable. It considers that it is based solely on the issues affecting the Dunkerque LNG terminal.



## ❖ Associations

Two associations criticise the proposed timetable. One of them thinks that the timetable should leave room for an assessment of a flow commitment system. The other considers that it is necessary to coordinate this Open Season with the procedure currently underway between France and Spain.

### **Question 10:**

**Do you see an interest in developing “firm reverse capacities” from France towards Belgium by a “flow commitments” system compared to the existing reverse capacity?**

Sixteen players answered this question: twelve shippers, two gas infrastructure operators and two associations.

## ❖ Shippers

A very large majority of shippers is in favour of studying such a system.

Eleven shippers would like this system to be studied.

Four shippers think that such a system would create firm capacity from France to Belgium quickly, but that these capacities could not be marketed on the long term as the dominant direction of gas flows cannot be predicted beyond 2015. For them, the flow commitment system is therefore considered a provisional and short-term solution.


Four other shippers think that this system could prevent a possible overinvestment and could optimise operations on the network. These shippers consider the flow commitment system to be preferable to the development of a new physical interconnection point. Two of these shippers are particularly in favour of short-term firm capacities which are useful from France to Belgium as they allow arbitrage.

Two shippers state that they are against any flow commitment system that is not based on voluntary participation.

Finally, one shipper thinks that capacities created in this way should be priced in order to cover the cost of the commitments.

## ❖ Gas infrastructure operators

One infrastructure operator claims to be ready to look into this solution, even though the operator does not consider that it is part of its assignments. According to this operator, this option will not ensure long-term firm capacities.



Another infrastructure operator is not against this system but states that it cannot fulfil its requirements.

❖ **Associations**

Two associations are in favour of the assessment of a flow commitment system. They believe that it could prevent overinvestment, optimise network operations and improve fluidity on the market.

**Question 11:**

**Do you have any additional comments?**

Fourteen players answered this question: nine shippers, four gas infrastructure operators and one association.

❖ **Shippers**

Two shippers would like the new France-Belgium interconnection point at Veurne to enable the development of capacity both from France to Belgium and from Belgium to France.

Another shipper states that the issue of gas quality (in particular its odorisation) must be dealt with so that an integrated European market can be developed.

A fourth shipper would like clarification on the modalities to export hourly flexibility from the Dunkerque LNG terminal to Belgium.

Finally, one shipper thinks that it will be necessary to plan contractual provisions to withdraw from the system if the commissioning of the Dunkerque LNG terminal or the transmission capacities at Veurne are delayed.

❖ **Gas infrastructure operators**

One infrastructure operator would like the tariff for the use of the new France → Belgium interconnection to be set in the long term. It would also like clarification on the modalities to export hourly flexibility made available from the Dunkerque LNG terminal to Belgium. Two infrastructure operators request that the Dunkerque LNG terminal is not entitled to advantages to export its gas or its flexibility to Belgium, stating the risk of distortions of competition.

One other infrastructure operator stresses that the regulation method must be stable and incentive-based so that investments can be made.

The fourth infrastructure operator states the importance of obtaining rational answers to questions of interoperability and gas quality that are dividing infrastructure operators in the North-West region.



## ❖ Associations

One association believes that it is necessary to standardise gas quality. For this association, odourised gas on the French transmission networks complies with the sulphur and mercaptans limits recommended by EASEE-gas. Due to this, it believes that this gas should be able to circulate on other European transmission networks.