

Public consultation on the tariffs and conditions for using underground natural gas storage facilities in France

Technical consultation notice

Preamble

Law n° 2004-803 of August 9th 2004 introduces negotiated third party access to underground natural gas storage facilities in France, in accordance with European directive 2003/55/EC of June 26th 2003. It notably stipulates that former suppliers are required to free up the storage capacities required by new suppliers, and that the tariffs and conditions for using the storage facilities are negotiated between the operators of these facilities and their users: "*the methods of accessing storage capacities [...] and particularly the price of access are negotiated under transparent and non-discriminatory conditions*".

In April and October 2004 respectively, Gaz de France and TOTAL Stockage Gaz France (TGSF), a subsidiary of TOTAL, published the conditions and prices for using their storage facilities, which can be found on the following websites: <http://stockage.gazdefrance.com> and <http://www.total-tsgf.com>.

In France, storage facilities are essential elements for the security and flexibility of supply to end consumers, and each operator has a monopoly in most of the geographical zones he serves.

In this context, CRE wishes to consult all the players concerned regarding the offers made by the two storage facility operators. If any improvements are required, CRE would like to see them made public by February 15th 2005, so that they can be implemented from April 1st 2005.

I. Presentation of conditions for using storage facilities

I. 1. Products marketed

Gaz de France and TSGF sell "storage units". A storage unit comprises an injection capacity, a withdrawal capacity and a storage volume, in proportions reflecting the physical characteristics of the storage facilities.

I. 2. Overall structure of supply

I. 2. 1. Gaz de France

Gaz de France markets its storage services in groups of facilities. These groups of storage facilities have been formed according to the geographical location of the facilities, their performance (extraction speed) and the nature of the gas (H or L quality).

In each balancing zone of Gaz de France's transmission network, there is at least one group of facilities, which can be accessed via a PITS (Interface Point between Transport & Storage).

Description of Gaz de France's storage facility groups

Group	Transmission balancing zone	Working gas volume
Centre (H gas)	Ouest and CFM zones	46 TWh
Île de France Nord (H gas)	North	13 TWh
Île de France Sud (H gas)	Nord	13 TWh
Lorraine (H gas)	Est	7 TWh
Salins Sud (H gas)	Sud	9 TWh
Picardie (L gas)	Nord	10 TWh

Source: Gaz de France website

I. 2. 2. TSGF

In the south-west of France, the storage facilities at Lussagnet and Izaute are mutualised and TSGF proposes two offers: one called "Equilibre", which features a low deliverability per unit of volume stored; and another called "Dynamique", which allows a high deliverability per unit of volume stored.

TSGF does not yet publish any indicators of its marketable working gas volumes, but intends to do so by January 1st 2005.

The two offers can be accessed from the GSO transmission network, via a single PITS.

I. 3. Contract start date and prior notice

In the two storage facility operators' current offers, it is made clear that contracts for using the facilities can only begin on April 1st, with three months' prior notice for Gaz de France and six weeks for TSGF.

I. 4. Physical constraints

The technical constraints on the operation of storage facilities ("physical constraints") are passed on to each individual user depending on his specific situation, independently of other users.

There are two types of physical constraints, affecting the level of gas stored and the injection and withdrawal capacities.

I. 4. 1. Constraints on the level of gas stored

Storage facility operators impose seasonal obligations for the management of each user's gas stock. For each group or offer, these obligations are represented by two annual curves, which define the lower and upper limits for gas stored, day by day.

It should be noted that, for each group or offer, the store of gas at the end of the withdrawal period must not exceed 40% of the volume subscribed (except for Gaz de France's "Salins Sud" offer: 100%, i.e. there is no withdrawal obligation).

At the end of the injection period, the store of gas must be no less than 85%, 90% or 92% of the subscribed volume, depending on the groups or offers concerned.

I. 4. 2. Modification of firm withdrawal and injection capacities depending on the user's current stock level

The physical injection and withdrawal capacities of an underground storage facility depend on the volume of gas stored. The facility operators impose limits on the amount of injection and withdrawal capacity for each user. These limits take the form of a "reduction factor" dependent on the user's current stock level, which is applied to the nominal capacity subscribed.

The deliverability available from facilities operated by Gaz de France and TSGF therefore varies depending on the user's current stock level.

On the other hand, TSGF's available injection capacity remains equal to the nominal capacity subscribed throughout the year.

I. 5. Non-availability due to works or maintenance

For each group of storage facilities, Gaz de France stipulates a certain number of planned interruptions in injection or withdrawal (maximum of 20 days during the withdrawal period and 30 days during the injection period), for which users receive no compensation. It also stipulates a limited number of unplanned interruptions (20 days max.) for which compensation is paid.

TSGF stipulates a maximum of 15 days of planned interruptions during the injection period, none during the withdrawal period and a maximum of 15 days of unplanned interruptions. These interruptions do not give rise to any compensation. Beyond 30 days, financial compensation is provided.

II. Presentation of tariffs for using storage facilities

The two operators' tariff structures are very similar. They only differ in terms of a few options.

However, the levels of the tariff terms are different. It is nevertheless worth noting that, since each storage facility or group of facilities has specific costs and performance levels, a direct comparison is not necessarily relevant.

II. 1. Tariff terms

Gaz de France and TSGF propose basic offers corresponding to the subscription of storage units, and a number of options.

II. 1. 1. Basic offers

a) Fixed management term

Both operators invoice each shipper a fixed management term which amounts to €24,000 per year and per group of storage facilities for Gaz de France, and €10,000 per year and per offer for TSGF.

b) Terms proportional to the storage volume subscribed

This term accounts for the major part of the invoice received by each storage facility user. For 1 MWh of storage volume subscribed, the term is between €4.60 and €13.30 depending on the group of facilities for Gaz de France, and is equal to €2.50 and €4.50 respectively for TSGF's "Equilibre" and "Dynamique" offers.

The volume of storage subscribed by users entitles them, for each group or offer, to specific withdrawal and injection capacities.

c) Terms proportional to the quantities injected and withdrawn

Each MWh injected under the basic offer is invoiced at €0.30 by Gaz de France, and at €0.10 by TSGF.

Each MWh withdrawn under the basic offer is invoiced at €0.10 by Gaz de France, and at €0.20 by TSGF.

d) Direction change term

Both operators charge a supplement for all changes in direction (where a daily withdrawal nomination follows a daily injection nomination or vice versa) over and above a certain fixed number. This number is 4 per season for Gaz de France, and 18 per year for TSGF. The price supplement is equal to €6,000 per change in direction for Gaz de France, and €0.002 per storage unit subscribed (with a minimum of €1,000) per change in direction for TSGF.

II. 1. 2. Peak options

a) Gaz de France

Gaz de France proposes peak withdrawal and injection options.

The extra peak withdrawal capacity offered is equal to 15%, 20% or 25% of the basic capacity reserved according to groups of storage facility, and may be used on extremely cold days, plus a further 10 days per year. The tariff charged for this option includes an annual fixed term of €6,000, a term proportional to the extra capacity subscribed of €16.7 per MWh/day, and a term proportional to the extra quantities extracted of €1.2 per MWh.

The extra peak injection capacity offered is 15% (except Salins Sud: 40%) of the basic capacity reserved and may be used on 50 days per year. The tariff charged for this option includes an annual fixed term of €6,000, a term proportional to the extra capacity subscribed of €17.5 per MWh/day, and a term proportional to the extra quantities injected of €0.35 per MWh.

b) TSGF

TSGF proposes a peak withdrawal option, which is only available under the "dynamique" offer.

The extra peak withdrawal capacity offered is equal to 26% of the basic capacity reserved. It may be used on 6 days per year at no extra cost. Beyond these 6 days, the tariff is €1.0/MWh for the extra quantities withdrawn.

II. 1. 3. Other optional services

The transfer of storage units and stored gas is invoiced by the storage operators, at €6,000 per operation by Gaz de France and €1,000 € per operation by TSGF. Currently, only transfers of storage units are allowed. There is no option to transfer volume, withdrawal and injection capacities separately. The sale of stored gas is only authorised by Gaz de France at the start and end of the contract period.

Both operators offer a daily balancing service according to similar conditions. Under the service, the storage user's daily balance on the transmission network can be optimised, up to a limit of 10% of the total nominal injection capacity and nominal withdrawal capacity subscribed.

With Gaz de France, the price of the service includes, for each group, an annual fixed term of €6,000 and a term proportional to the capacity subscribed of €15/MWh/d per year.

With TSGF, the price of this service includes an annual fixed term of €1,000 and a proportional term equal to €0.1 per storage unit subscribed and per year.

II. 2. Penalties

Each storage facility user must ensure that his current stored gas level remains within the set limits at all time. If a user breaches the upper limit, he is obliged to sell the excess gas to the storage facility operator, at a price equal to 50% of the reference price for the balancing zone. If the user breaches the lower limit, he is obliged to purchase the shortfall in gas from the storage facility operator, at a price equal to 150% of the reference price of the balancing zone.

CRE invites players who so wish to send it their comments and observations on the offers for access to storage facilities described in this document, as well as any other issues they wish to raise during this consultation, **no later than January 14th 2005**. As an indication, some possible questions are listed below:

General questions

Q1: *What is your opinion of the overall structure of storage facility access offers?*

Q2: *Are you favourable to the introduction of flexible options not offered to date, notably:*

- the introduction of a secondary market allowing the separate sale of storage, withdrawal and injection capacities between users?

- the sale by the facility operator of unused capacities on a daily basis?

Q3: *What do you think of the level of offers for access to storage facilities in France, notably in comparison with those found elsewhere in Europe and the flexibility market prices in Zeebrugge and the United Kingdom (NBP)?*

Q4: *Do you think you receive sufficient information about facility operators' offers and available capacities? If not, what extra information would you like the facility operators to publish on their websites?*

Questions of a technical nature

Q5: *What is your opinion of the fixed management term and the other fixed terms in Gaz de France and TSGF's offers? Would you like to see them replaced by terms proportional to volumes or capacities?*

Q6: *What is your opinion of the terms charged for changes in direction?*

Q7: *Do you have any comments or suggestions on the optional services offered by storage facility operators?*

Q8: *What is your opinion of the way physical storage constraints are incorporated into the operators' offers?*

Q9: *What do you think of the non-availability periods for maintenance stipulated by the operators, and the compensation paid to users?*

Q10: *Do you have any other comments or suggestions regarding the tariffs and conditions for using storage facilities?*

Q11: *Do you have any other comments or suggestions on standard contracts for using storage facilities?*