



CAPACITY ALLOCATION ON THE  
NORTH-SOUTH LINK

DRAFT RULES FOR CAPACITY ALLOCATION

JUNE 9, 2011

This document sets out draft rules for capacity allocation on the North-to-South link from April 1, 2012.

## **1. Background**

As part of the “Concertation Gaz” consultation process, extensive work was done with all the market players in 2010 to improve the rules for allocating capacity on GRTgaz’s North-to-South link. This work culminated in a proposal by GRTgaz on May 25, 2010, which was approved by the CRE deliberation of July 8, 2010. The new rules were implemented in summer 2010 for the sale of annual and multiannual capacity beginning on April 1, 2011. The entire process went smoothly and produced satisfactory results. GRTgaz therefore does not wish to change the allocation mechanisms on the North-to-South link when April 1, 2012 capacity goes on sale in the summer of 2011.

In 2011, a new mechanism for making capacity available between GRTgaz’s North and South zones (market coupling) was developed within the Concertation Gaz process. By a deliberation on April 19, 2011 based on a proposal by GRTgaz, CRE approved the testing of this mechanism between July 2011 and March 2012. For this purpose, 10 GWh/d of firm annual capacity on the North-to-South and South-to-North link, which had remained unsold following the summer 2010 sale, were allocated to the testing of market coupling. Initial formal feedback on this mechanism should be available in autumn 2011. Pending this feedback, GRTgaz proposes to retain the possibility of maintaining the levels of capacity allocated to the market coupling mechanism beyond March 31, 2012.

Finally, new capacity allocation rules are expected to emerge through application of the European network codes (in particular Capacity Allocation Management) currently in preparation.

## **2. GRTgaz proposal for the allocation of capacity on the North-to-South link from April 1, 2012**

GRTgaz proposes that the next allocations on the North-to-South link should be implemented under the existing rules defined in Clause 7.6 of the general terms and conditions of the transmission contract. In addition, GRTgaz proposes to withhold 10 GWh/d of firm annual capacity from sale, so that it can be allocated, if necessary, to market coupling.

### **2.1 Reminder of the general principles**

The existing system, defined in the general terms and conditions of the transmission contract, is based on the following principles:

- Long-notice firm and interruptible multiannual capacity, representing 80% of the capacity sold, provided in the form of 2, 3 or 4-year “bands” (uniform capacity), and short-notice capacity for a period of one year representing 20% of the capacity provided.
- A timetable consistent with the planned schedule for the sale of capacity at the interface between GRTgaz Sud and TIGF and, more generally, of all the capacity at GRTgaz’s PIR.
- Separate sales in the form of “Open Subscription Periods” for each of the products. For greater clarity, these periods are organised successively in diminishing order of duration .
- For reasons of consistency and to simplify the process, the same mechanism is implemented for the allocation of both firm and interruptible capacity.
- A two-phase sale of firm and interruptible annual capacity. The first is exclusively open to shippers with a licence to supply end customers (industrial customers, residential customers or customers with a public interest role), and to shippers who are themselves end customers holding a connection contract with GRTgaz. The second is open to all shippers.
- Within the first phase, a “guaranteed allocation” option is implemented to offer greater clarity to shippers with smaller requirements. The “guaranteed allocation” quantity is set at 1.5 GWh/d.

- Sale of capacity in tranches over successive rounds in the phases where no “guaranteed allocation” option is available, in particular for long-term multiannual capacity.

## 2.2 Proposed changes

### 2.2.1 Information between allocation rounds

Following on from GRTgaz’s proposal for the sale of capacity on April 1, 2011, and in order to increase clarity for shippers as the allocation rounds or phases progress, GRTgaz proposes to provide all customers with information on the total volume of capacity requested and the number of participants at the end of a phase or round.

### 2.2.2 Withholding from sale of 10 GWh/d of firm annual capacity on the North-to-South link for April 1, 2012

To ensure that the market coupling mechanism can be extended beyond March 31, 2012, GRTgaz proposes to withhold from sale 10 GWh/d of firm capacity (both from the process described below and from the “first come first served” process opening in September 21, 2011), corresponding to the level of capacity used during the testing phase of the market coupling mechanism. Since market coupling makes short-term capacity available, it is proposed that this should be deducted from the short-term firm annual capacity put up for sale.

The method of supplying capacity to the market coupling mechanism will be established on the basis of the feedback on this process, which will become available in autumn 2011, and on the basis of unsold available capacity. Therefore, the 10 GWh/d of firm capacity set aside for market coupling could either be maintained, or revised upwards to total unsold capacity, or revised downwards to take account of market requirements.

### 2.2.3 Withholding from sale of 10 GWh/d of firm annual capacity on the South-to-North link for April 1, 2012

Until autumn 2011, to ensure that the market coupling mechanism operates symmetrically, GRTgaz proposes to suspend the sale of 10 GWh/d of short-term firm annual capacity in the South-to-North direction and to maintain the existing allocation rules described in the general terms and conditions of the transmission contract.

### **3. Application to capacity starting on April 1, 2012**

The provisions described in the paragraph above also apply to the multiannual and annual capacity beginning on April 1, 2012. The minimum levels available for reservation for each of the allocation phases are shown in the annex.

#### **3.1 Capacity levels for sale on the North-to-South link**

Capacity on the North-to-South link beginning on April 1, 2012:

	4 years	3 years	2 years	1 year
Firm capacity (GWh/d)	14.173	14.173	14.173	36 (46-10)
Interruptible capacity (GWh/d)	26.602	26.602	26.602	44

The level of capacity sold corresponds, for a given band duration, to the level of capacity specified above, plus unsold capacity from the higher duration bands.

#### **3.2 Sale of firm and interruptible multiannual capacity beginning on April 1, 2012**

The same process applies to firm capacity and interruptible capacity for each of the 2, 3 and 4-year maturities. It consists of two distinct rounds. Half the capacity for sale is proposed in the first round, and the outstanding balance of unsold capacity for each maturity is offered in the second round.

All shippers may take part in both rounds. Only participants who take part in the first round may take part in the second.

For a given round, each request is capped at the round's capacity level. For the second round, the level of capacity includes any unsold capacity from the first round. If total requests exceed the level of capacity for the round in question, requests shall be allocated proportionally.

#### **3.3 Sale of firm and interruptible annual capacity beginning on April 1, 2012**

The rules applicable to this capacity are those set out in Clause 7.6 of the general terms and conditions of the transmission contract.

Half of the capacity for sale is offered in the first phase, and the balance of unsold capacity is made available in the second phase.

The capacity proposed in the second phase is divided into three successive rounds using the rule of thirds:

- a third of the capacity for sale is offered in the first round,
- half of the remaining unsold capacity is offered in the second round,
- the remaining unsold capacity is offered in the third round.

Capacity is allocated on a pro-rata basis, except for shippers that opt for the "guaranteed allocation" option in the first phase.

**4. Sale timetable**

**4.1 Multiannual capacity beginning on April 1, 2012**

Multiannual capacity is sold over successive periods. The proposed timetable is shown in the table below, which specifies the date of the corresponding subscription window for each “capacity type/maturity” pair:

Capacity type	Maturity		
	4 years	3 years	2 years
Firm capacity	Aug 23, 2011	Aug 24, 2011	Aug 25, 2011
Interruptible capacity	Sep 05, 2011	Sep 06, 2011	Sep 07, 2011

Each period stretches over one day and is structured as follows:

- 9 a.m. to 10:30 a.m.: requests received from Round-1 participants.
- 11:30 a.m.: individual allocation results sent to each Round-1 participant. Information on the number of participants and total demand sent to all shippers.
- 11:30 a.m. to 1 p.m.: requests received from Round-2 participants.
- 2 p.m.: individual allocation results sent to shippers.

**4.2 Annual capacity beginning on April 1, 2012**

Annual capacity is sold in successive periods each stretching over two days. The proposed timetable is shown in the table below, which specifies the day dedicated to each of the two phases of the allocation mechanism for a given capacity type.

Capacity type	Phase 1	Phase 2
Firm capacity	Sep 13, 2011	Sep 14, 2011
Interruptible capacity	Sep 20, 2011	Sep 21, 2011

**Phase 1:** For a given capacity type, the day dedicated to Phase 1 is structured as follows:

- 9 a.m. to 12 noon: requests received from Phase-1 participants.
- 2 p.m.: individual allocation results sent to participants. Information on the number of participants and total demand sent to all shippers.

**Phase 2:** For a given capacity type, the day dedicated to Phase 2 is structured as follows:

- 9 a.m. to 10:30 a.m.: requests received from Round-1 participants.
- 11:30 a.m.: Round-1 results and information sent.
- 11:30 a.m. to 1 p.m.: requests received from Round-2 participants.
- 2 p.m.: Round-2 results and information sent.
- 2 p.m. to 3:30 p.m.: requests received from Round-3 participants.
- 4 p.m.: Round-3 results and information sent.

The following information is sent out following each round:

- Total demand for capacity in the round,
- Number of participants in the round,
- Individual allocation to each participant following the round.

# ANNEX

Product	Day	Time Slot	Step	Minimum level of MWh/d
<b>Firm – 4 years</b>	Aug 23, 2011	9 a.m. - 11:30 a.m.	Round 1	7,086.5
		11:30 a.m. - 2 p.m.	Round 2	7,086.5
<b>Firm – 3 years</b>	Aug 24, 2011	9 a.m. - 11:30 a.m.	Round 1	7,086.5
		11:30 a.m. - 2 p.m.	Round 2	7,086.5
<b>Firm – 2 years</b>	Aug 25, 2011	9 a.m. - 11:30 a.m.	Round 1	7,086.5
		11:30 a.m. - 2 p.m.	Round 2	7,086.5
<b>Interruptible – 4 years</b>	Sep 05, 2011	9 a.m. - 11:30 a.m.	Round 1	13,301
		11:30 a.m. - 2 p.m.	Round 2	13,301
<b>Interruptible – 3 years</b>	Sep 06, 2011	9 a.m. - 11:30 a.m.	Round 1	13,301
		11:30 a.m. - 2 p.m.	Round 2	13,301
<b>Interruptible – 2 years</b>	Sep 07, 2011	9 a.m. - 11:30 a.m.	Round 1	13,301
		11:30 a.m. - 2 p.m.	Round 2	13,301
<b>Firm – 1 year</b>	Sep 13, 2011	9 a.m. - 2 p.m.	Phase 1	18,000
	Sep 14, 2011	9 a.m. - 11:30 a.m.	Phase 2 - Round 1	6,000
		11:30 a.m. - 2 p.m.	Phase 2 - Round 2	6,000
		2 p.m. - 4:30 p.m.	Phase 2 - Round 3	6,000
<b>Interruptible – 1 year</b>	Sep 20, 2011	9 a.m. - 2 p.m.	Phase 1	22,000
	Sep 21, 2011	9 a.m. - 11:30 a.m.	Phase 2 - Round 1	7,333
		11:30 a.m. - 2 p.m.	Phase 2 - Round 2	7,333
		2 p.m. - 4:30 p.m.	Phase 2 - Round 3	7,333