



Working Document

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Changes in the rules for allocating long-notice bookable capacity		
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Subject

At the beginning of 2011, a shipper pointed out the unfairness of the principle of allocating long-notice reservation capacity on a purely “first-come, first-served” basis. This document presents a proposal for a change in the allocation rules concerning long-notice bookable capacity for the Dunkerque, Taisnières B, Taisnières H, Obergailbach and Oltingue PIR (Network Interconnection Points), where the “first-come, first-served” principle currently applies.

The “Concertation Gaz” consultation process

Following a request by a customer, at the “Capacity Allocation” working group meeting on April 6, 2011, GRTgaz presented a case setting out the problem of long-notice bookable capacity allocation using only the “first-come, first-served” system currently used in GRTgaz’s offering. Discussions therefore began on setting new rules for allocating this capacity. Members of the working group immediately recalled that there are discussions currently underway at European level on procedures for allocating capacity.

A number of main initial principles emerged:

- 1- The auction mechanism seems to be the solution recommended in future European rules. However, implementing this solution in France would require big changes, which cannot be introduced in the short term. In these circumstances, the use of an OSP system, combined with a proportional allocation if demand exceeds offer, could constitute an intermediate solution.
- 2- In an OSP system, the products on sale must be sufficiently defined to limit the complexity of the allocation process. This means that a single capacity start-up date and a maximum capacity subscription duration - which are the solutions recommended by ENTSOGE -, are arrangements that would simplify capacity allocation by establishing a single event for a simplified product. In addition, it was found that a single start-up date offers the advantage of avoiding capacity fragmentation by equalising the start and end dates of the annual capacity bands.
- 3- Priority rules or additional options could be introduced in order to make the proportional allocation process more flexible.

On June 1, 2011, taking into account the views expressed by members at the April 6 meeting of the consultation group and at CRE's request, GRTgaz presented principles that can be implemented quickly for the allocation of long-notice bookable capacity to replace the "first-come, first-served" system currently in use.

These principles were inspired both by ENTSOG's proposals for the establishment of the new European rules and by the current mechanism for allocating annual short-notice reservation capacity.

1. Setting up of an annual OSP session in March for capacity starting on October 1.
2. Use of a proportional rule if demand exceeds offer.
3. Principle of year-by-year allocation of firm and releasable capacity with a duration of 2 years or more.
4. Options allowing adjustment of the allocation profile.

Pending the implementation of the new European rules, the members of the consultation group were in favour of the use of an OSP system with 7 months' notice and the use of a proportional rule for the allocation of firm and releasable long-notice reservation capacity.

At this stage, two questions remained:

- the number of annual sales and the number of annual start-up dates,
- the application of allocation priority to requests for longer period capacity, a notion introduced by CRE.

Once again, the members of the consultation group recommended the avoidance of mechanisms that could result in the fragmentation of available capacity. Indeed, they specified that the products should be "stackable", in order not to end up with fragments of capacity that would no longer be marketable. Finally, they drew GRTgaz's attention to the need for capacity selling methods to be consistent with those of adjacent operators.

On September 28, 2011, on the basis of the principles accepted by the members of the working group meeting on June 1, 2011, GRTgaz first presented a study describing the products and allocation methods of the adjacent operators, and the conclusion that the OSP mechanisms so far planned could not be fully consistent with the selling and allocation processes implemented by adjacent operators.

However, the members of the consultation group confirmed their wish that an intermediate system between the current rules and the future European rules should be defined and implemented.

GRTgaz therefore recalled the principles agreed by all the members of the consultation group.

1. Creation of one or two annual OSP sessions with 7 months' notice for the sale of long-notice firm and releasable capacity;
2. Use of the proportional rule if demand exceeds offer;
3. Principle of year-by-year allocation of firm and releasable capacity with a duration of 2 years or more and of 15 years or less;
4. Options allowing adjustment of the allocation profile.

The principle of a single start date of October 1 for long-notice bookable capacity, seemed consistent with the products sold in Germany and the rules proposed by ENTSOG. Likewise, two annual sales periods seemed appropriate to maintain minimum consistency between the future European rules and the different systems currently employed by adjacent operators.

Finally, GRTgaz presented two rules to the working group for allocating capacity in the event that demand should exceed offer:

- The first is based on a year-by-year proportional mechanism, combined with the possibility of uniform allocation over the whole period of the request.
- The second is based on the principle of giving priority in decreasing order of duration, combined with the possibility of maximising one's allocation on a year-by-year basis.

At this stage, the working group has not yet reached a unanimous recommendation on these alternatives.

On November 14, 2011, GRTgaz presented detailed mechanisms for allocating long-notice bookable capacity, for firm and releasable capacity respectively on the one hand, and for interruptible capacity on the other hand. In it, GRTgaz included all the points on which the working group had unanimously pronounced in favour, while leaving the other points open.

Considering the allocation mechanism too complex, CRE asked the working group about simplifying the rules. CRE itself considers that the complexity arises from the simultaneous allocation of firm and releasable capacity.

GRTgaz responded with the following points:

- allocating firm and releasable capacity simultaneously is a transparent process for the customer, who is unaware of the complexity,
- allocating firm and releasable capacity simultaneously is a principle already used for the allocation of short-notice capacity, where it offers customers the maximum possible quantity of available product,
- by standardising the products on sale, allocating firm and releasable capacity simultaneously simplifies the offer and optimises product availability.

Moreover, GRTgaz stressed that, from its point of view, the complexity of the allocation system essentially arises from maintaining options that are both beneficial to customers and meet their requests, such options being used to adjust their allocation profiles. These options by nature run counter to the allocation rule. It is inevitable that the simultaneous and fair handling of requests of a different nature will inevitably generate complexity.

Insofar as the members of the working group had together agreed that implementing these options was useful and even necessary, GRTgaz did not wish to question them.

The working group did not express any other view.

GRTgaz proposal

With regard to the current mechanism for allocating long-notice reservation capacity on a first-come, first-served basis,

With regard to the wish of customers to see this allocation rule changed before the implementation of the European rules on capacity allocation,

With regard to the work of the "Capacity Allocation" working group in the four sessions of April 6, June 1, September 28 and November 14, 2011,

By way of a change to the current arrangements for selling long-notice allocation capacity and releasable capacity with a duration of more than 2 years, GRTgaz proposes to organise sales of long-notice bookable capacity for the Dunkerque, Taisnières B, Taisnières H, Obergailbach and Oltingue Network Interconnection Points (PIR) via the procedures set out below:

- Two sales periods in October-November in a given year N-1 and February-March in year N for capacity starting on October 1 in year N;
- For the sake of clarity of the offer and improvement of product availability, sale of all long-notice reservation capacity beginning on October 1 year N, available during the sales periods, including, in the case of firm capacity, the proportion of long-notice firm capacity available for allocation and the releasable capacity relating to that same capacity;
- Firm capacity is allocated with priority over releasable capacity;
- Sale of interruptible capacity if all firm and releasable capacity has been allocated;
- Offer of capacity with duration in multiples of one year, for 2 years or more and 15 years or less;

- Application of the rule for bound shippers as currently defined in the transmission contract;
- No change in the mechanisms for the marketing of short-notice capacity;
- Inclusion of the following information in all requests: level of capacity, duration of capacity, preferred option between "Band" and "Maximisation";
 - o For "Band" requests, the level of capacity allocated is the same for all the years included in the request,
 - o For "Maximisation" requests, the level of capacity allocated may potentially vary from one year to another,
- Possibility of submitting several requests with variable durations and levels.

In addition, two allocation rules may be considered:

- Priority to allocation of requests with a duration of 5 years or more, then successively requests of 4, 3 and 2 years;
- For each of the priorities, application of a proportional rule if demand exceeds offer.

or

- Allocation carried out year by year with no priority rule, in the spirit of the CAM network code project drafted by ENTSOG;
- For each of the years, if demand exceeds offer, a proportional rule.

On these bases, allocation of capacity starting on October 1, 2012 could take place for the first time in February-March 2012.